Recession Winding Down

Pennsylvania's economy stayed on its downward course in September, but signs that the recession is winding down in the state were evident.

The employment situation in Pennsylvania continued to deteriorate. The unemployment rate for the state in September at a seasonally adjusted 11.2 percent was the highest in the more than 11 years for which there is comparable data.

Unemployment in Pennsylvania increased by approximately 26,000 persons while another 100,000 Pennsylvanians left the work force. Most of the decline in the civilian labor force was a result of normal seasonal shrinkage at the start of the school year, but there was also a substantial number of discouraged workers leaving the work force.

Furthermore, initial claims for unemployment compensation, after seasonal adjustment, were at their highest level ever in the state, and total employment was back down to July's level after August's unseasonal increase.

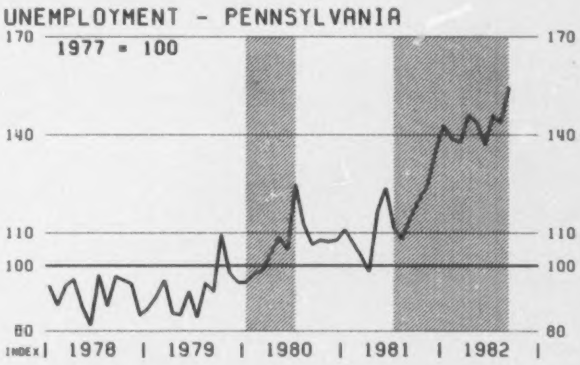
Although Pennsylvania's employment figures are traditionally prone to considerable month-to-month variation, there is no doubt that those for September indicate a worsening of employment conditions in the state.

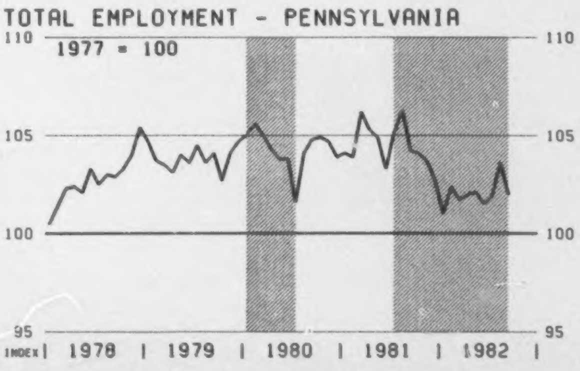
Nevertheless, there were signs that the downward drift of the state's economy slowed in September. The number of wage and salaried jobs in manufacturing industries fell by only 3,900 jobs. This compares to an average monthly job loss of 17,600 factory jobs between September of last year and July of this year. An increase of 5,400 jobs was seen in August 1982. In addition, the number of wage and salaried jobs in nonmanufacturing industries increased by 16,700 jobs in September.

The biggest slowdown in the manufacturing job loss came from the durable goods industries in which the job level had been plummeting by a little over 13,000 jobs a month for the past year. In September, this industry group lost less than 1,000 jobs. The slowdown may be an indication that the state has lost just about all the durable goods manufacturing jobs that it will. Durable goods industries have been in the process of eliminating excess capacity. The remaining plants in operation are the more efficient ones and therefore may not be lost in the current contraction.

The steel industry is a case in point. Although employment and average weekly hours worked by production workers in the primary metals industry group declined, steel production in the state increased in September. This indicates advances in labor productivity — more output from less total person-hours worked — with the use of more efficient production technologies.

September's seasonally adjusted increase in steel production was the first in 14 months and occurred despite a continuing decline in total steel production in the United States. As a result, Pennsylvania's share of national steel production increased to 13.3 percent in September from 12.1 percent in August but was still far below the average of 20 percent in 1981.





PENNSYLVANIA BUSINESS SURVEY

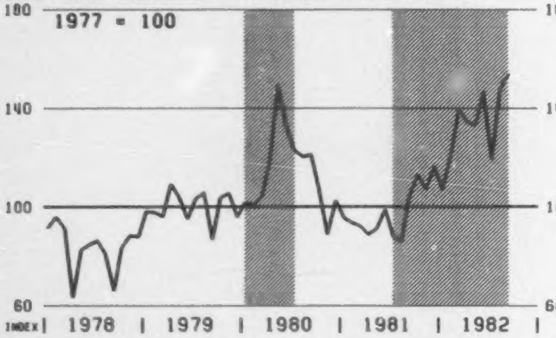
College of Business Administration The Pennsylvania State University **November 1982**

The largest job gains in Pennsylvania's nonmanufacturing sector in September were seen in transportation and state and local government. Normal seasonal increases were experienced in retail trade, services, and federal government positions. All other nonmanufacturing industries saw job losses; contract construction jobs, after seasonal adjustment, were at their lowest level since May 1964, and mining jobs were at their lowest non-strike level since November 1973.

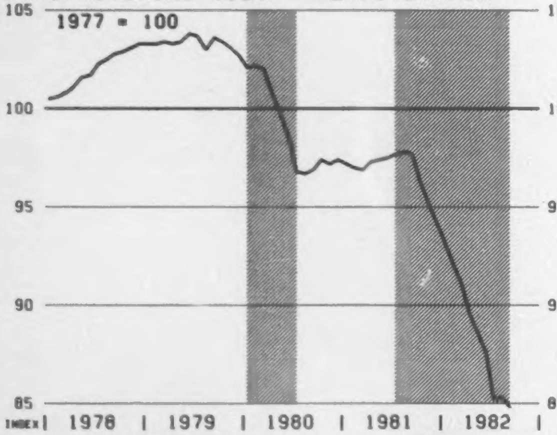
Nevertheless, activity in these two sectors picked up in September. The value of construction contracts awarded rose from August's level. The seasonally adjusted index for this measure was 150 (1977 = 100) in September, up from 118 a month earlier and 148 a year ago. However, the value of total awards for the first three quarters of 1982 trailed that of the first three quarters of 1981 by almost $300 million and, after adjusting for inflation, was only 67.4 percent of that of the first three quarters of 1978, a peak year for the industry.

September's increase came mostly in awards for utilities and public works. Nonresidential building awards also rose in dollar terms, but the value of residential building awards declined.

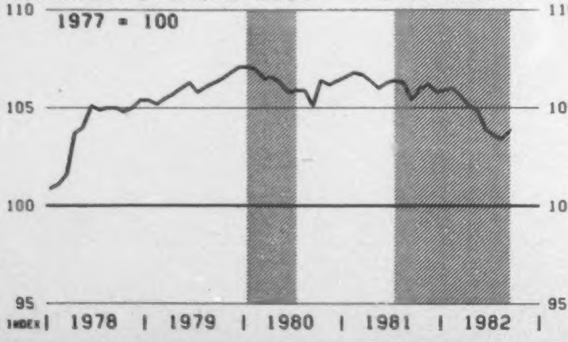
INITIAL CLAIMS - PENNSYLVANIA



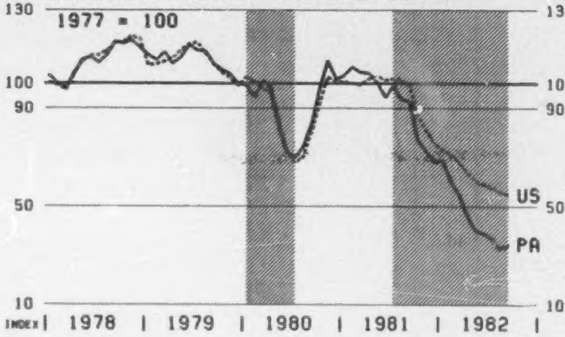
MANUFACTURING JOBS - PENNSYLVANIA



NONMANUFACTURING JOBS - PENNSYLVANIA



STEEL PRODUCTION - PA AND US



The volume of anthracite coal mined in Pennsylvania increased for the second consecutive month in September. The mining of bituminous coal also picked up in August but fell back somewhat in September. Nevertheless, production was still above July's level, which was the lowest non-strike level since July 1972.

October's unemployment rate of 11.5 percent, released by the Department of Labor early this month, showed further deterioration in employment conditions in the state. This trend may continue in the next few months. Average weekly hours worked by production workers in manufacturing industries declined again in September. This measure usually picks up before employment levels because managers normally increase hours of workers remaining on the job before hiring back laid-off personnel.

However, we may look for improving conditions by second quarter next year. At least, we should not see any more of the steep drops in employment that we have been seeing over the past year.

The Nation

Recession has not yet released its grip on the nation's economy. However, scattered signs have appeared that suggest that the long-awaited recovery may be at hand and may have already begun in some parts of the economy. But, the decline in manufacturing is still not over.

Factory production fell in September for the twelfth time in 14 months, hitting the lowest level in more than five years. The 0.6 percent decline in output was the biggest drop since last spring. More than 30 percent of the nation's manufacturing capacity sat idle in September. Furthermore, the meager 0.2 percent rise in factory orders for durable goods in September suggests that U.S. industrial production will remain weak for some time.

But, positive groundwork was laid in areas such as inflation and interest rates. In September, consumer prices rose a modest, seasonally adjusted 0.2 percent on average in the nation's cities while Pennsylvania's cities recorded even lower increases. Largely because of plentiful crops and an overabundance of oil, consumer prices for the first nine months of this year rose at a 4.8 percent adjusted annual rate, less than half the 10.1 percent pace for the first nine months of 1981. However, most of the slowing in prices is recession-related, reflecting weaknesses in demand for the country's goods and services.

At the same time, interest rates, which have been the biggest roadblock to recovery, have also continued to come down. The lower rates are largely responsible for the recent pickup in the construction industry. Housing starts rose an adjusted 14.4 percent in September.

In addition, consumers, who are supposed to lead the economy out of the recession, increased their spending in September by 1 percent — the third substantial increase in a row. However, personal income increased only 0.3 percent, and the wage and salaries component declined slightly. Economists generally agree that until there are substantial increases in this component, consumers are going to be leery about increasing their spending further.

— Norma Gavin Pappas

ECONOMIC ACTIVITY IN PENNSYLVANIA

ECONOMIC ACTIVITY IN PENNSYLVANIA	1982 *August*	1982 *Sept*	1981 *Sept*	Seasonally Adjusted Indexes (1977 = 100.) 1982 *August*	Seasonally Adjusted Indexes (1977 = 100.) 1982 *Sept*	Seasonally Adjusted Indexes (1977 = 100.) 1981 *Sept*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,486*	4,503	4,746	97.8	98.1	102.9
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,336*	3,352	3,402	103.4*	103.9	105.4
Manufacturing						
No. of wage and salaried jobs (thous.)	1,148*	1,144	1,319	85.3*	84.8	97.7
Ave. wkly. hrs. worked by prod. workers	38.2	37.9	39.2	97.2	95.7	98.9
Total wkly. person-hours worked (mils.)	29.8*	29.5	36.6	78.4*	76.2	94.6
Total wkly. payroll (mil. dols.)	257.1	255.6	309.9	115.0	112.6	136.6
Steel production (thous. tons)	670	703	1,889	33	34	92
Industrial electric power sales (mil. kwh)	3,212	3,197	3,908	85	85	104
Mining						
Anthracite coal (thous. net tons)	505	476	417	94	104	90
Bituminous coal (thous. net tons)	6,077	5,924	8,080	80	78	105
Construction contracts awarded (mil. dols.)						
Total	412.9	432.5	463.1*	118	150	148*
Residential building	193.4	134.4	158.4*	97	65	78*
Other building	163.9	160.6	235.8*	142	159	229*
Nonbuilding (utilities and public works)	55.5	137.6	68.9*	86	277	133*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	5,018	4,892	4,997	103.6	102.0	104.2
Unemployed						
No. of persons (thous.)	575	601	448	143.7	154.4	114.9
Rate (percentage of labor force)	10.3	10.9	8.2	—	—	—
Rate, seasonally adjusted	10.4	11.2	8.4	—	—	—
Civilian labor force, no. of persons (thous.)	5,593	5,493	5,444	106.7	106.0	105.0

Consumer Prices, all items	Urban Indexes (1967 = 100.) 1982 *August*	Urban Indexes (1967 = 100.) 1982 *Sept*	Urban Indexes (1967 = 100.) 1981 *Sept*	Percentage Change *Month Ago*	Percentage Change *Year Ago*
U.S. city average	292.8	293.3	279.3	+0.2	+5.0
Philadelphia	281.3	283.0	274.4	+0.6	+3.1
Pittsburgh	291.4	n.a.	277.7†	n.a.	+4.9
Northeast PA	n.a.	276.0	271.5	n.a.	+1.7

Notes: Data on employment have been revised to first quarter 1981 benchmarks.

* = Figure revised † = Figure for August 1981 n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

Changes in The Survey

Bank Debits — The Center for Research no longer collects data on debits to demand deposits in commercial banks for Pennsylvania and the state's major metropolitan areas. The decision to drop these series was made because of the recent merger activity among the banks in our sample and the resulting changes in their record-keeping procedures. Several of the newly merged banks, now spanning more than one major metropolitan area, had told us that, because they have changed their data processing and reporting systems, separate bank debit figures for each area were no longer available. The distribution of demand deposits in the different metropolitan areas was also needed to compute the statewide figure.

Consumer Prices — The all urban consumer price index will still be reported monthly, but in a different form. Indexes for all U.S. cities and Philadelphia will be shown for the current month, the preceding month, and the same month a year ago. Percentage changes in the current index from a month earlier and a year earlier will also be shown. Consumer prices are collected in Pittsburgh and Northeast, Pennsylvania in alternating months. The most current index figure, the year ago figure, and the percentage change from a year ago will be shown for these cities also. These figures can be found at the bottom of the *Economic Activity* table.

Industrial Production — The index of industrial production put out by the Federal Reserve Board will no longer be shown in a separate figure. However, we will continue to report on U.S. industrial output in the section describing economic conditions in the nation.

Value of Construction Contracts Awarded — For the state, the series on the value of construction contracts awarded will continue to be reported as in the past. However, starting in this issue, for the major metropolitan areas, we will show the total quarterly value of awards for residential buildings and for nonresidential buildings and the percentage change in these values from a quarter earlier and the same quarter a year earlier.

Around the State

Economic conditions were generally bad in the metropolitan areas of the state last quarter. What little good news existed was concentrated in the eastern half of the state. Employment was generally up from a quarter earlier and unemployment was down somewhat in the eastern metropolitan counties. However, the job level declined in most areas and consistently in the manufacturing industries. In the western metropolitan counties, all indicators showed worsening conditions with few exceptions.

Southeastern Quarter

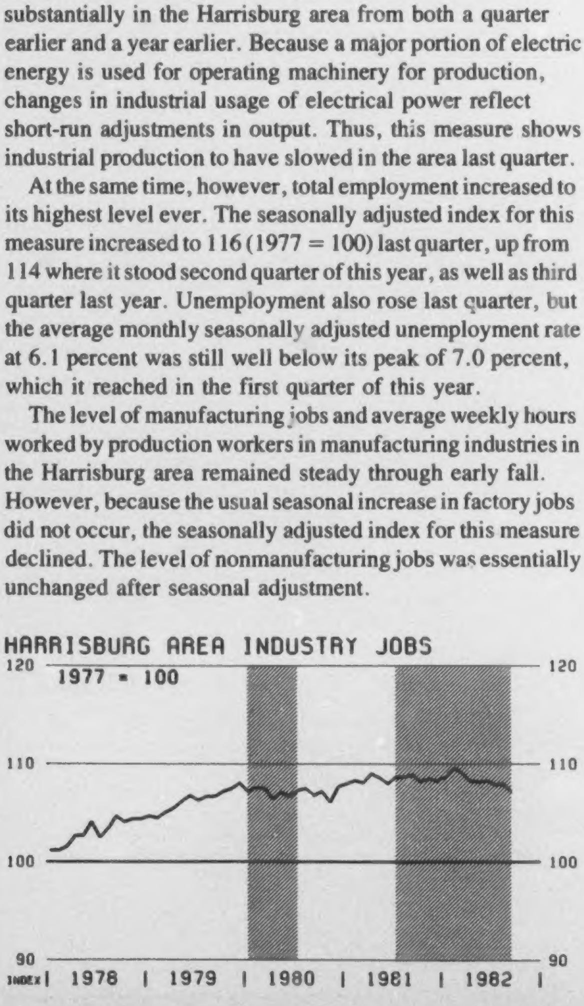
Harrisburg

The Harrisburg area economy continued to defy the recession last quarter. While indicators show industrial activity to have declined somewhat, the employment situation remained strong.

Sales of electricity to industrial users were down substantially in the Harrisburg area from both a quarter earlier and a year earlier. Because a major portion of electric energy is used for operating machinery for production, changes in industrial usage of electrical power reflect short-run adjustments in output. Thus, this measure shows industrial production to have slowed in the area last quarter.

At the same time, however, total employment increased to its highest level ever. The seasonally adjusted index for this measure increased to 116 (1977 = 100) last quarter, up from 114 where it stood second quarter of this year, as well as third quarter last year. Unemployment also rose last quarter, but the average monthly seasonally adjusted unemployment rate at 6.1 percent was still well below its peak of 7.0 percent, which it reached in the first quarter of this year.

The level of manufacturing jobs and average weekly hours worked by production workers in manufacturing industries in the Harrisburg area remained steady through early fall. However, because the usual seasonal increase in factory jobs did not occur, the seasonally adjusted index for this measure declined. The level of nonmanufacturing jobs was essentially unchanged after seasonal adjustment.



HARRISBURG AREA INDUSTRY JOBS

HARRISBURG AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	230.1	116	114	114
Unemployed, no. of residents	14.8	123	120	116
Civilian labor force, no. of residents	244.9	116	114	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	225.2	108	108	109
Nonmfg. only, no. of jobs	184.6	110	110	110
Mfg. only, no. of jobs	40.6	100	102	105
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	98	98	100
Industrial electric power sales	***	84	91	113

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	15.9	− 5.9	− 3.1
Nonresidential bldg. contracts only	11.8	+12.4	−47.3

[1] Cumberland, Dauphin and Perry Counties

The value of construction contracts awarded was down last quarter from a quarter earlier for residential buildings but was up for nonresidential buildings. However, the value of nonresidential contracts was almost half what it was a year ago, and the year-to-date total is less than a third of the total for the first three quarters last year. On the other hand, the value of residential contracts in the first three quarters of this year have kept pace with last year's level.

Lancaster

While the economy of the Lancaster area was sluggish in the third quarter, it remained strong, and recession damage was kept to a minimum compared to other areas of the state.

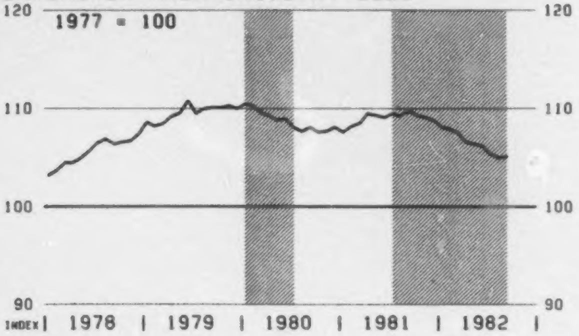
Total nonfarm industry jobs declined for the fourth consecutive quarter. Declines were seen in the number of wage and salaried jobs in both manufacturing and nonmanufacturing industries. However, the drop in factory jobs was only as much as the normal seasonal drop. Thus, the seasonally adjusted index for this measure was unchanged from a quarter earlier. Average weekly hours worked by factory workers was also unchanged after seasonal adjustment.

Industrial electric power sales — an indicator of short-run changes in industrial output — fell last quarter from a quarter earlier and was substantially below last year's third quarter peak.

On the positive side, unemployment in the area fell for the second consecutive quarter. The average monthly seasonally adjusted unemployment rate in the third quarter was 7.0 percent, down from 7.9 percent in the first quarter of this year. In addition, total employment rose by 3,600 workers last quarter from a quarter earlier but was still 1.2 percent below its peak level of 177,700 workers reached in the third quarter of last year.

Finally, the value of construction contracts awarded for residential buildings in the third quarter was down from a year ago, but the value of awards for nonresidential buildings was up. Furthermore, while the year-to-date total for residential buildings has lagged the total for the first three quarters of last year, that for nonresidential buildings has kept pace with last year's three-quarter total.

LANCASTER AREA INDUSTRY JOBS



LANCASTER AREA[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'82	3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	175.5	111	110	112
Unemployed, no. of residents	13.0	156	164	113
Civilian labor force, no. of residents	188.5	113	112	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	148.7	105	106	110
Nonmfg. only, no. of jobs	93.2	110	112	112
Mfg. only, no. of jobs	55.5	98	98	106
Hrs. worked by production workers in mfg., *ave. weekly*	38.1	97	97	98
Industrial electric power sales	***	98	99	106

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	17.6	+ 4.1	−21.1
Nonresidential bldg. contracts only	9.5	−55.8	+86.3

[1] Lancaster County

Philadelphia

Although the economy of the Philadelphia metropolitan area remained relatively strong in the third quarter, the effects of the recession were still evident in the manufacturing sector.

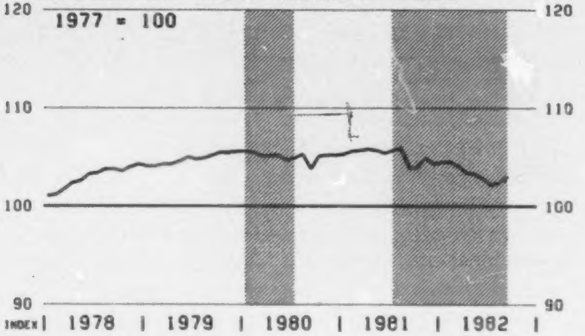
Both average weekly hours worked by production workers in the area's factories and the number of factory jobs in the area fell last quarter, continuing their steady decline since third quarter last year.

Other sectors of the economy were able to hold their own. The job level in the area's nonmanufacturing industries, after seasonal adjustment, was essentially unchanged last quarter from a quarter earlier.

Sales of electricity to industrial users in the metropolitan area were also unchanged after seasonal adjustment. However, sales declined from second quarter in the cities of Philadelphia and Chester.

Construction projects in the metropolitan area increased in value last quarter but were still affected by the sluggish economy. The value of construction contracts awarded in both residential and nonresidential buildings in the first three quarters of this year trailed those of the first three quarters last year.

PHILADELPHIA AREA INDUSTRY JOBS



PHILADELPHIA AREA[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'82	3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	2,021.7	107	106	108
Unemployed, no. of residents	183.4	100	106	92
Civilian labor force, no. of residents	2,205.1	107	106	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	1,878.2	102	103	105
Nonmfg. only, no. of jobs	1,478.0	107	107	108
Mfg. only, no. of jobs	396.6	89	91	97
Hrs. worked by production workers in mfg., *ave. weekly*	38.4	97	98	100
Industrial electric power sales				
Metropolitan area	***	94	94	100
Chester	***	89	97	102
Philadelphia	***	94	96	99

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	190.9	+26.0	+ 1.2
Nonresidential bldg. contracts only	205.1	+21.8	−33.9

[1] Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Pa.; Burlington, Camden and Gloucester counties, N.J.

Favorable news came from the employment data. Employment increased and unemployment declined in the area for the second consecutive quarter. Employment rose to over 2 million after having dipped below this level in the first two quarters of this year but was still short of the peak level a year ago. At the same time, the area's average monthly seasonally adjusted unemployment rate fell to 8.0 percent from 9.1 percent in this year's first quarter.

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Reading

Last quarter the economy of the Reading metropolitan area lost the gains of a quarter earlier. The seasonally adjusted number of manufacturing jobs, average weekly hours worked in manufacturing industries, and industrial electric power sales all fell last quarter after having risen the quarter earlier.

The seasonally adjusted index for the number of wage and salaried jobs in manufacturing industries fell to 99 (1977 = 100) last quarter from 102 in the second quarter. First quarter this year, the measure stood at 101. Last quarter's level is the lowest since third quarter 1976.

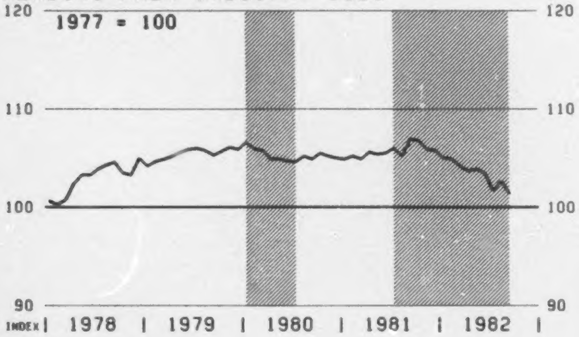
Average weekly hours worked by production workers in manufacturing industries fell to 37.6 hours from 38.3 hours in the second quarter and 38.2 hours in the first quarter. This drop was particularly disappointing because increases in this measure usually precede, and therefore herald, increases in the job level.

The most dramatic reversal was in the sales of electricity to industrial users. The seasonally adjusted index for this indicator fell to 95 (1977 = 100) last quarter from 110 second quarter. Second quarter's level had represented an increase from first quarter's level of 102.

The number of nonmanufacturing jobs in the area also declined last quarter, and the value of construction contracts awarded, although up for residential buildings from a quarter earlier, was down for nonresidential buildings. Both measures of construction activity were down from figures a year earlier.

Nevertheless, total employment increased and unemployment declined in the Reading area for the second consecutive quarter. The average monthly seasonally adjusted unemployment rate was down to 9.2 percent last quarter from 10.0 percent in the first quarter of this year.

READING AREA INDUSTRY JOBS



READING AREA¹

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	145.3	108	107	110
Unemployed, no. of residents	14.6	163	165	136
Civilian labor force, no. of residents	159.9	112	111	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	133.3	102	104	106
Nonmfg. only, no. of jobs	82.9	104	105	106
Mfg. only, no. of jobs	50.3	99	102	106
Hrs. worked by production workers in mfg., *ave. weekly*	37.6	96	98	100
Industrial electric power sales	***	95	110	111

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	9.2	+13.6	−28.7
Nonresidential bldg. contracts only	3.9	−62.9	−67.2

¹Berks County

York

The recession continued to dampen industrial activity in the York metropolitan area last quarter, but signs of a recovery were beginning to appear.

The level of total nonagricultural industry jobs fell again in the July-September quarter, reaching its lowest level since first quarter 1978. Last quarter was the fourth consecutive quarter in which the number of wage and salaried jobs in the area's manufacturing industries declined. The number of jobs in nonmanufacturing industries also declined slightly last quarter after having remained pretty much stable since the beginning of the 1980 recession.

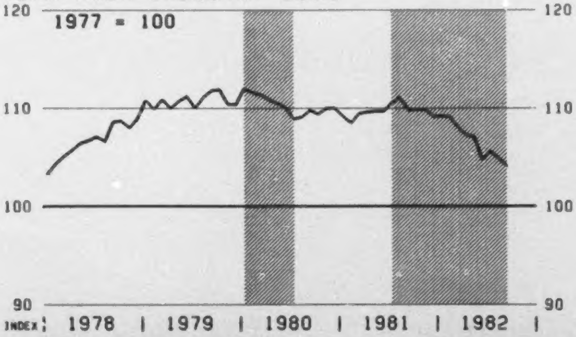
Sales of electricity to industrial users in the York area fell last quarter, indicating a lower level of total industrial output. The seasonally adjusted index for this measure was at its lowest level since third quarter 1975, declining to 88 (1977 = 100) from 90 a quarter earlier and 106 a year ago.

Good news came from average weekly hours worked by production workers in manufacturing industries in the area. This indicator rose last quarter for both durable and nondurable goods-producing firms. If these increases are persistent in the coming months, they may herald in increases in employment.

Total employment in the York area did increase last quarter after having declined in the first two quarters of the year. However, unemployment also increased, reaching its highest postwar level. The average monthly seasonally adjusted unemployment level was 11.1 percent, up from 11.0 percent a quarter earlier and 7.5 percent a year earlier.

A considerable pickup in the area's construction industry was seen in the value of construction contracts awarded. Total awards were up from a quarter earlier for both residential and nonresidential buildings. Furthermore, while the year-to-date figure trailed that of the first three quarters last year for nonresidential buildings, the year-to-date figure for residential buildings was ahead of last year's figure.

YORK AREA INDUSTRY JOBS



YORK AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	164.5	111	110	114
Unemployed, no. of residents	20.7	204	201	136
Civilian labor force, no. of residents	185.2	117	116	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	148.6	105	106	110
Nonmfg. only, no. of jobs	89.3	109	110	110
Mfg. only, no. of jobs	59.4	100	102	110
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	98	96	100
Industrial electric power sales	***	88	90	106

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	29.6	+93.5	+96.0
Nonresidential bldg. contracts only	13.3	+58.3	−32.8

[1] Adams and York counties

Northeastern Quarter

Allentown-Bethlehem-Easton

While the manufacturing sector in the Allentown-Bethlehem-Easton area had another bad quarter, most other sectors of the area's economy were holding their own last quarter.

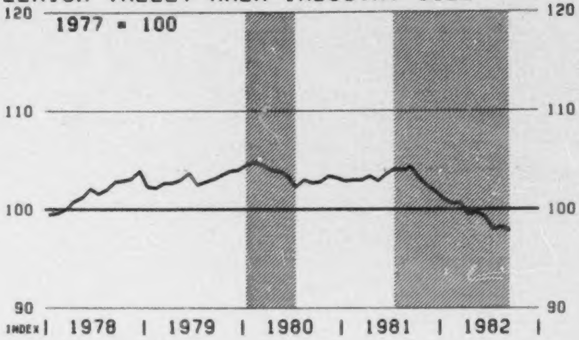
The number of wage and salaried jobs in manufacturing industries was down 5.5 percent from a quarter earlier while average weekly hours worked by production workers in these industries was unchanged after seasonal adjustment. This sector of the area's economy has been declining since the beginning of the 1980 recession; few factory jobs were regained between the 1980 and 1981-82 recessions. More than 16 percent of the total number of manufacturing jobs in Lehigh valley have been lost since first quarter 1981, and many of the workers still employed are working reduced hours.

The measure of industrial electric power sales shows that within the area most of the slowing in industrial activity last quarter occurred in Bethlehem. The seasonally adjusted index for this measure fell sharply in Bethlehem, declined only slightly in Allentown, and was unchanged in Easton.

The job level in the nonmanufacturing sector of the Lehigh valley area economy has been relatively stable. The total number of wage and salaried jobs in this sector fell slightly last quarter, but not as much as expected at that time of year. Therefore, the seasonally adjusted index rose a point.

There was little change in the value of construction contract awards for residential buildings from a month earlier and a year ago, but the total year-to-date value of these contracts was substantially below that of the first three quarters last year. The value of construction contracts for nonresidential buildings was also down considerably from a year ago.

LEHIGH VALLEY AREA INDUSTRY JOBS



LEHIGH VALLEY AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	281.8	103	102	107
Unemployed, no. of residents	33.3	157	158	114
Civilian labor force, no. of residents	315.1	107	106	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	250.9	98	100	104
Nonmfg. only, no. of jobs	158.0	107	106	108
Mfg. only, no. of jobs	91.9	85	90	98
Hrs. worked by production workers in mfg., *ave. weekly*	37.8	99	99	101
Industrial electric power sales				
Metropolitan area	***	96	102	108
Allentown	***	95	96	97
Bethlehem	***	96	105	116
Easton	***	108	108	114

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	27.3	+ 2.6	− 0.4
Nonresidential bldg. contracts only	19.7	−33.4	−63.1

[1] Lehigh, Northampton and Carbon counties, Pa.: Warren County, N.J.

As a whole, the area's economy was basically stable last quarter from a quarter earlier. Unemployment increased slightly but, after seasonal adjustment, was essentially unchanged. Total employment also increased slightly. However, it was still 10,500 workers short of the level a year earlier.

Northeast Area

Our indicators show that the Northeast metropolitan area was still in the grips of recession last quarter, but the area's economy may be bottoming out as many of the indicators maintained levels of a quarter earlier.

The number of wage and salaried jobs in the area's nonfarm industries was down to its lowest level since third quarter 1975. Last quarter's drop came solely from the manufacturing sector, where the level of factory jobs declined for the fourth consecutive quarter. The seasonally adjusted index for this measure fell to 86 (1977 = 100) from 91 a quarter earlier and 97 a year ago.

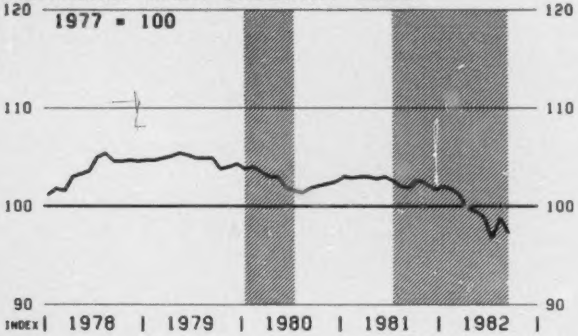
However, no further drops in the average hours worked by production workers in these factories were experienced last quarter. The seasonally adjusted index for this measure was unchanged from a quarter earlier.

At the same time, although the level of jobs in the area's nonmanufacturing industries was slightly below the level of a year ago, it was unchanged from a quarter earlier.

But, industrial output, as measured by sales of electricity to industrial users, declined for the fourth consecutive quarter. Seasonally adjusted sales were down in the cities of Hazleton and Wilkes-Barre while, in the Scranton area, they were unchanged from a quarter earlier.

On the positive side, total employment was up slightly last quarter in both Lackawanna and Luzerne counties and in the metropolitan area as a whole. Furthermore, although unemployment also rose slightly, the increase was less than the normal seasonal increase, and therefore the seasonally adjusted index for unemployment fell. The average monthly seasonally adjusted unemployment rate for the metropolitan area was down to 10.6 percent from 11.6 percent a quarter earlier and up from 9.5 percent a year earlier.

NORTHEAST AREA INDUSTRY JOBS



NORTHEAST AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents				
Northeast metropolitan area	259.4	104	103	106
Lackawanna County[2] only	92.3	100	100	102
Luzerne County[3] only	139.0	103	102	105
Unemployed, no. of residents				
Northeast metropolitan area	30.5	114	126	102
Lackawanna County[2] only	9.7	101	125	89
Luzerne County[3] only	17.9	121	122	111
Civilian labor force, no. of residents				
Northeast metropolitan area	289.9	105	105	105
Lackawanna County[2] only	102.0	100	102	100
Luzerne County[3] only	156.8	105	104	105
Local industries, Northeast metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	230.0	98	99	102
Nonmfg. only, no. of jobs	168.6	103	103	104
Mfg. only, no. of jobs	61.1	86	91	97
Hrs. worked by production workers in mfg., *ave. weekly*	36.9	102	102	102
Industrial electric power sales				
Northeast metropolitan area	***	95	98	102
Lackawanna County[2] only	***	96	96	100
Luzerne County[3] only	***	90	95	102
Hazleton	***	86	90	94
Wilkes-Barre	***	86	92	103

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	15.9	– 22.1	–20.1
Nonresidential bldg. contracts only	48.2	+423.9	+51.6

In addition, while the value of contracts awarded for residential construction projects was down from a quarter ago and a year ago, that for nonresidential construction projects was up substantially. The value of all nonresidential awards in the first three quarters of this year was almost a third larger than last year's figure.

Williamsport

While the manufacturing sector in the Williamsport area continued to decline, the other sectors of the economy were holding their own.

The level of nonfarm industry jobs was down to its lowest level since second quarter 1976. Another 1,100 factory jobs were lost, bringing the seasonally adjusted index for this measure down to 82 (1977 = 100) from 88 a quarter earlier. At the same time, however, the number of nonmanufacturing jobs in the Williamsport area was unchanged last quarter from a quarter earlier.

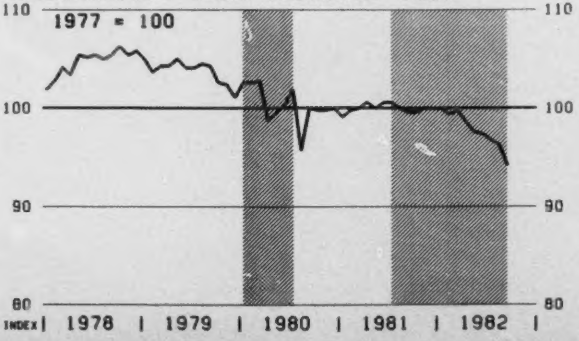
Sales of electricity to industrial users, a measure of short-run changes in industrial production, declined last quarter. The seasonally adjusted index for this indicator was at its lowest level since the end of the 1973-75 recession.

On a more positive note, average weekly hours worked by production workers in manufacturing industries of both durable and nondurable goods rose slightly from a quarter earlier. Increases in this measure usually precede increases in employment.

Total employment in the Williamsport area did increase last quarter, but the increase was less than the normal seasonal rise. Thus, the seasonally adjusted index fell. In addition, the normal seasonal increase in the number of jobless workers did not occur last quarter, and therefore its index also declined. The average monthly seasonally adjusted unemployment rate in the area fell to 11.6 percent down from 12.1 percent, where it stood in both the second quarter of this year and third quarter last year.

The construction industry picked up a bit last quarter. The value of construction contracts awarded for both residential and nonresidential buildings in the Williamsport area was up from levels a quarter ago. However, in the first three quarters of this year, the value of residential awards trailed that of last year by almost 45 percent. The year-to-date figure for nonresidential awards was ahead of the figure for the first three quarters of last year.

WILLIAMSPORT AREA INDUSTRY JOBS



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[1] Lackawanna, Luzerne and Monroe counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton

WILLIAMSPORT AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	47.1	101	102	104
Unemployed, no. of residents	6.0	133	139	142
Civilian labor force, no. of residents	53.1	104	105	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	44.5	96	98	100
Nonmfg. only, no. of jobs	29.9	106	106	108
Mfg. only, no. of jobs	14.6	82	88	90
Hrs. worked by production workers in mfg., *ave. weekly*	39.3	102	101	101
Industrial electric power sales	***	91	93	96

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	2.0	+66.7	−20.0
Nonresidential bldg. contracts only	5.9	†	+883.3

[1] Lycoming County

†No Contracts Awarded

Northwestern Quarter

Erie

The Erie economy still felt the effects of the recession last quarter, but further deterioration in economic conditions appeared to be concentrated in the manufacturing sector.

The number of wage and salaried jobs in manufacturing industries declined last quarter to approximately 38,400 jobs. Except for during the General Electric strike in late 1969 and early 1970, the factory job level in the Erie metropolitan area has not been so low since second quarter 1964. In addition, workers remaining on the job, on average, worked fewer hours per week.

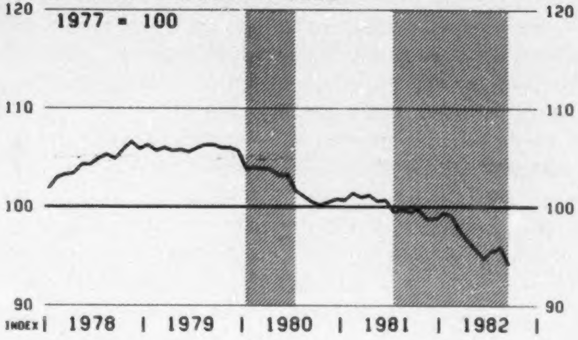
The job level in the area's nonmanufacturing industries declined last quarter, but the decline was less than the usual seasonal drop. Therefore, the seasonally adjusted index for this measure rose slightly.

Despite the job losses, sales of electricity to industrial users showed total industrial activity to have picked up somewhat. The seasonally adjusted index for this measure stood at 84 (1977 = 100) last quarter, up from second quarter's low of 82 but still substantially lower than last year's third quarter level of 108.

In addition, while the value of nonresidential construction contracts awarded was down, a considerable increase in the value of construction contracts awarded for residential buildings was seen in the third quarter. The total value of residential contracts awarded in the first three quarters of this year was above last year's in both nominal and real (inflation adjusted) terms.

Total employment in the area last quarter was also up from a quarter earlier but was not as high as the level a year earlier and was down 5.6 percent from the level that prevailed at the start of the 1980 recession. At the same time, unemployment in Erie was at its highest level since 1958.

ERIE AREA INDUSTRY JOBS



ERIE AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	111.9	101	99	103
Unemployed, no. of residents	15.0	166	161	136
Civilian labor force, no. of residents	126.9	106	104	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	105.3	95	96	100
Nonmfg. only, no. of jobs	66.8	99	98	102
Mfg. only, no. of jobs	38.4	90	92	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	96	97	100
Industrial electric power sales	***	84	82	108

Construction contracts awarded *(in millions of dollars)*	Total 3Q.82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	17.9	+175.4	+159.4
Nonresidential bldg. contracts only	4.7	− 25.4	− 77.9

[1] Erie County

Sharon

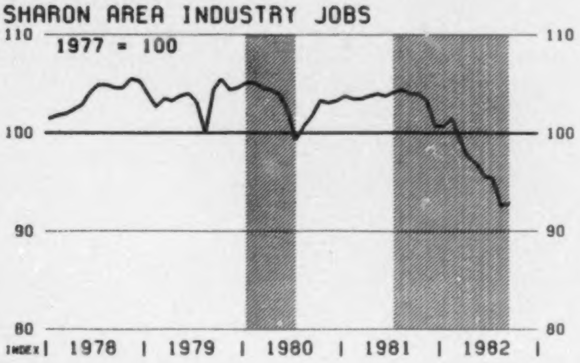
The recession continued to eat away at the economy of the Sharon metropolitan area last quarter.

The number of wage and salaried jobs in nonagricultural industries declined for the fourth consecutive quarter. Over 10 percent of all nonfarm industry jobs have been lost since third quarter last year at the beginning of the current recession. Most of the job losses have been in the manufacturing sector. The factory job level last quarter was down 22 percent from the level a year ago. At the same time, the nonmanufacturing sector has not been immune. The level of jobs in these industries was down 4 percent from the level a year ago.

Industrial electric power sales also indicated a much reduced level of industrial activity since the previous year. The seasonally adjusted index for this measure was down to 86 (1977 = 100) last quarter from 89 the quarter earlier and 121 a year ago.

Total employment in the Sharon area was at its lowest level since first quarter 1977. However, because of previous lay-offs, the usual seasonal increase in unemployment did not occur, and therefore the seasonally adjusted index for this measure declined. The average monthly seasonally adjusted unemployment level was down to 15.2 percent from 16.1 percent a quarter earlier but was still far above last year's third quarter level of 8.9 percent.

The value of construction contracts awarded for both residential and nonresidential buildings dropped last quarter from a quarter earlier. Furthermore, although the total value of awards for nonresidential buildings in the first three quarters of this year was 31 percent ahead of the figure for last year, the value of awards for residential buildings in the first three quarters was less than half of last year's figure.



SHARON AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	47.8	99	100	108
Unemployed, no. of residents	8.7	211	231	126
Civilian labor force, no. of residents	56.4	108	110	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	42.3	94	97	104
Nonmfg. only, no. of jobs	29.6	102	103	106
Mfg. only, no. of jobs	12.6	78	86	100
Industrial electric power sales	***	86	89	121

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	3.2	− 3.0	− 27.3
Nonresidential bldg. contracts only .	3.8	−55.8	+111.1

[1] Mercer County

Southwestern Quarter

Altoona

The economy of the Altoona metropolitan area turned down again in the third quarter after having seemingly leveled off in the second quarter. Two measures of the inputs to production — sales of electricity to industrial users and the number of jobs in nonfarm industries — were down in the area, indicating a lower overall level of industrial production.

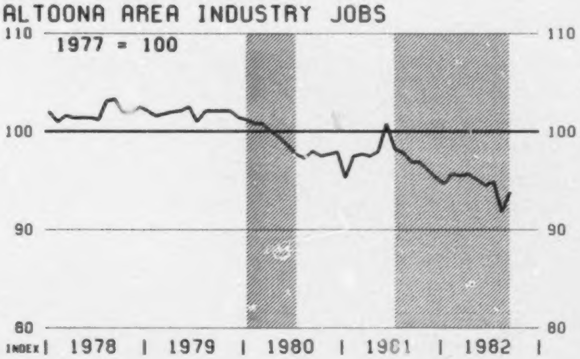
The seasonally adjusted index for industrial electric power sales stood at 79 (1977 = 100) last quarter, down from 86 a quarter earlier and 100 a year earlier. This measure has not been so low since fourth quarter 1970 at the end of the 1969-70 recession.

Declines in the number of wage and salaried jobs were experienced in both manufacturing and nonmanufacturing industries, with the largest drop seen in the nonmanufacturing sector. The level of jobs in nonfarm industries stood at approximately 48,400 jobs, 7.6 percent below the level that prevailed in the area for most of 1978 and 1979.

In addition, average weekly hours worked by production workers in durable goods-producing industries declined last quarter from a quarter earlier while that of workers in nondurable goods-producing industries was unchanged. For all manufacturing industries, this measure declined to 38.7 hours from 39.4 hours a quarter earlier.

Unemployment was up from a quarter earlier but was not as high as the level experienced a year ago. Total employment was also lower than that of a year ago but rose slightly from a quarter earlier. However, the increase was only as much as normally expected at that time of year, and therefore the seasonally adjusted index for this indicator was unchanged from second quarter.

The value of construction contracts for residential buildings awarded in the first three quarters of 1982 exceeded that of the first three quarters of 1981 in both current and constant dollars. However, the value of nonresidential building contracts was down from the year ago figure.



ALTOONA AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	51.9	99	99	101
Unemployed, no. of residents	6.6	166	162	172
Civilian labor force, no. of residents	58.4	104	103	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	48.4	94	95	98
Nonmfg. only, no. of jobs	36.4	94	96	97
Mfg. only, no. of jobs	12.0	90	93	99
Hrs. worked by production workers in mfg., *ave. weekly* ...	38.7	102	103	101
Industrial electric power sales	***	79	86	100

Construction contracts awarded *(in millions of dollars)*	Total 3Q'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	3.0	−69.7	−21.1
Nonresidential bldg. contracts only .	7.6	+300.0	+26.7

[1] Blair County

Johnstown

Last quarter was Johnstown's worst quarter yet in this recession. Almost all of our indicators for the area's economy showed worsening conditions.

The number of wage and salaried jobs in both the manufacturing and nonmanufacturing sectors dropped from levels a quarter earlier. The area's factory job level continued its dramatic decline begun more than a decade ago. The seasonally adjusted index for this measure was 68 (1977 = 100) last quarter, down from 71 a quarter earlier and 80 a year earlier.

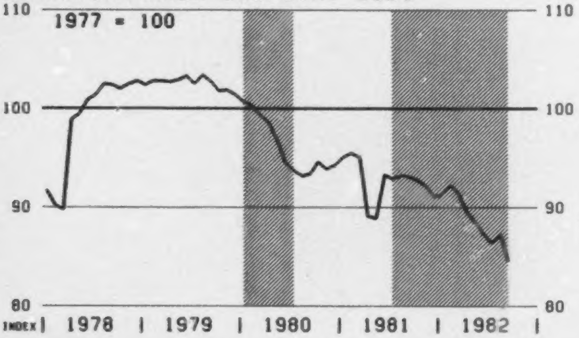
In addition, many production workers remaining on the job in the area's factories were working reduced hours. Average weekly hours in both durable and nondurable goods-producing industries fell last quarter. The average for all industries was 34.4 hours, the lowest average among the reporting metropolitan areas.

Industrial electric power sales also declined dramatically last quarter as Bethlehem Steel Corporation shut down its newly installed electric furnace. Nevertheless, sales did not drop below the third quarter level of last year, when the furnace was not yet in operation. This suggests that the level of production in other sectors of the economy was maintained in the interim.

Total employment in the Johnstown area was unchanged from a quarter earlier, but unemployment rose for the fourth consecutive quarter. The average monthly seasonally adjusted unemployment rate was 16.6 percent, up from 16.1 percent a quarter earlier and 11.7 percent a year ago.

The value of construction contracts awarded was down for residential buildings last quarter but was way up for nonresidential buildings. The total value of awards in the first three quarters has already exceeded the total for all of last year by 60 percent. However, the comparable figure for residential buildings was still trailing the figure for the first three quarters of last year.

JOHNSTOWN AREA INDUSTRY JOBS



JOHNSTOWN AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	90.1	92	92	97
Unemployed, no. of residents	17.4	166	160	117
Civilian labor force, no. of residents	107.6	99	98	99
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	76.9	86	88	93
Nonmfg. only, no. of jobs	62.2	93	95	98
Mfg. only, no. of jobs	14.5	68	71	80
Hrs. worked by production workers in mfg., *ave. weekly*	34.4	88	92	96
Industrial electric power sales	***	101	121	100

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	10.5	− 6.2	− 20.5
Nonresidential bldg. contracts only	14.8	+270.0	+196.0

[1] Cambria and Somerset counties

Pittsburgh

There was no good news on the Pittsburgh economy from our quarterly indicators last quarter. Unemployment soared past record levels; industry jobs fell to their lowest levels in over a decade; and total industrial production, as measured by industrial electric power sales, slowed markedly.

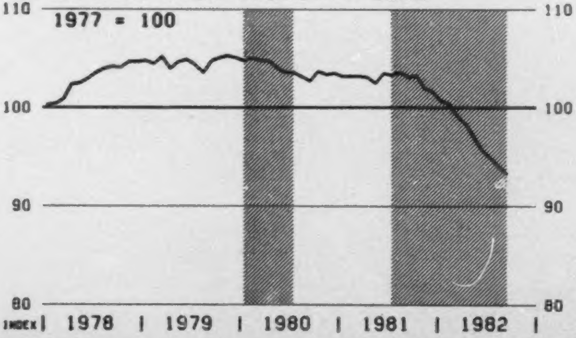
At the end of last quarter, unemployment in the Pittsburgh metropolitan area had reached 14.0 percent — nearly doubling the rate of a year ago. The average monthly seasonally adjusted unemployment rate for the third quarter was 13.2 percent, up from 11.7 percent in the second quarter and 7.1 percent in the third quarter last year. Total employment dropped for the fourth consecutive quarter after seasonal adjustment.

The number of wage and salaried jobs in nonfarm industries was at its lowest level since first quarter 1972. The drop in the job level was seen in both manufacturing and nonmanufacturing industries, with the manufacturing sector the hardest hit. Approximately 23 percent of all factory jobs in the area have been lost in the past year. In addition, average weekly hours worked by production workers in manufacturing industries fell to 37.4 hours last quarter, down from 40.5 hours a year ago.

The sales of electricity to industrial users also continued its sharp decline last quarter. Much of this decrease is the result of steel plant closings. The seasonally adjusted index for industrial electric power sales in the Pittsburgh area was down to 60 (1977 = 100) last quarter from 72 a quarter earlier and 109 third quarter last year.

Finally, the value of construction contracts awarded for both residential and nonresidential buildings were down from a quarter earlier. In addition, the year-to-date figure for these measures trailed those of the first three quarters last year.

PITTSBURGH AREA INDUSTRY JOBS



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PITTSBURGH AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	911.5	100	101	107
Unemployed, no. of residents	135.4	216	189	116
Civilian labor force, no. of residents	1,047.0	108	107	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	864.5	94	97	103
Nonmfg. only, no. of jobs	678.9	102	104	107
Mfg. only, no. of jobs	184.4	74	80	96
Hrs. worked by production workers in mfg., *ave. weekly*	37.4	92	94	100
Industrial electric power sales	***	60	72	109

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	66.2	−29.1	− 7.2
Nonresidential bldg. contracts only	89.4	−43.6	−38.0

[1] Allegheny, Beaver, Washington and Westmoreland counties

State College

Our statistical indicators for the State College metropolitan area were all down last quarter. Thus, the effects of the recession, which were minimal until the second quarter of this year, continued to prevail throughout the third quarter.

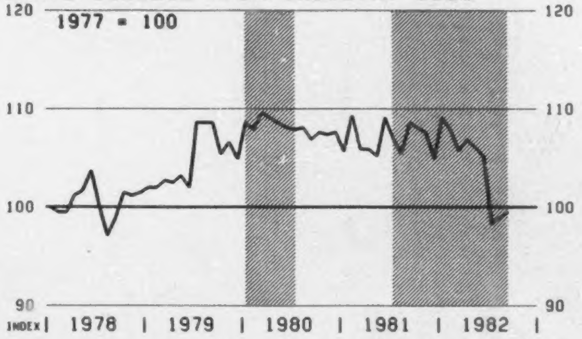
The total number of nonagricultural industry jobs in the area declined sharply last quarter from a quarter earlier. The decline came from both the manufacturing and nonmanufacturing sectors, with the largest drop — nearly 4,000 jobs — occurring in the nonmanufacturing sector. Some, but not all, of these job losses were from university or university-related employment and should be regained next quarter.

The seasonally adjusted index for industrial electric power sales, an indicator of short-run changes in industrial output, declined to its lowest level since third quarter 1975. Last quarter it stood at 85 (1977 = 100), down from 92 a quarter earlier and 104 a year ago.

Total employment in State College fell after having increased a quarter earlier, and unemployment rose. The average monthly seasonally adjusted unemployment rate in the area was up to 8.5 percent last quarter from 7.9 percent a quarter earlier and 6.4 percent a year earlier.

Finally, the value of construction contracts awarded for both residential and nonresidential buildings in the area were down from levels a quarter ago, as well as from those a year ago.

STATE COLLEGE AREA INDUSTRY JOBS



STATE COLLEGE AREA[1]

	Ave. mo. value 3 Q.'82	Average monthly index seas. adj. (1977 = 100) 3 Q.'82	2 Q.'82	3 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	41.6	106	110	111
Unemployed, no. of residents	3.8	169	161	129
Civilian labor force, no. of residents	45.5	110	113	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	39.7	99	106	107
Nonmfg. only, no. of jobs	32.8	98	106	106
Mfg. only, no. of jobs	6.7	106	108	113
Industrial electric power sales	***	85	92	104

Construction contracts awarded *(in millions of dollars)*	Total 3Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	5.8	− 6.5	− 6.5
Nonresidential bldg. contracts only	1.4	−58.8	−68.2

[1] Centre County

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Recession Lingers On

The economic indicators for Pennsylvania are continuing to oscillate, showing no consistent evidence of a turnaround or even a slowing in the recession. The winding down of the recession in the state, assessed last month in the *Survey*, was primarily based on the job loss in durable goods industries in September, which was considerably less than losses in the previous 12 months. However, the job level in these industries was once again down sharply in October, and September's figure was revised to a substantially lower level than earlier reported.

Since September of last year almost 1.8 percent of jobs, or 13,000 jobs on average, a month have been lost in the durable goods industries after accounting for normal seasonal variation. The October job level in these industries was down another 15,000 jobs after seasonal adjustment, and September's loss, earlier estimated at 2,200 jobs, was revised to a seasonally adjusted 7,800 jobs. Over 20 percent of wage and salaried jobs in this sector have been lost in the past 14 months.

The number of jobs in nondurable goods industries also fell last month, bringing the job level for all manufacturing industries in Pennsylvania down to 1.119 million jobs — its lowest level since July 1940.

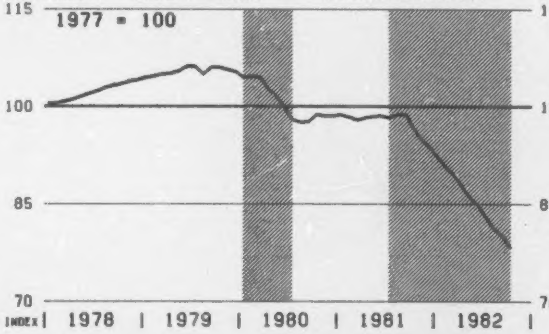
At the same time, however, the average weekly number of hours worked by production workers in manufacturing industries rose to 38.1 hours in October from 37.8 hours in September. An increase in this indicator often signals rising employment in the following months. But, October's level is still extremely low; employers have considerable room to expand production by increasing the hours worked by employees still on the job before calling back laid-off workers.

Industrial production in Pennsylvania, as measured by sales of electricity to industrial users, fell again in October after leveling off in September. The seasonally adjusted index for this measure stood at 83 (1977 = 100) in October, down from 85 in September and 104 in October of last year.

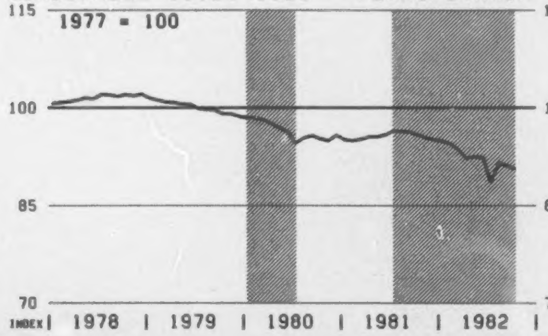
The seasonally adjusted average daily production of steel in Pennsylvania, after increasing in September to 24,200 tons from 23,000 tons in August, fell again in October to 23,200 tons. October's production rate is one-quarter of the monthly average for the industry's boom years of 1973 and 1974. In addition, steel production in Pennsylvania as a percentage of total national steel production fell to 13.0 percent in October from 13.3 percent in September, but it remained well above the low of 12.1 percent reached in August.

On a more positive note, the number of wage and salaried jobs in Pennsylvania's nonmanufacturing industries increased for the second consecutive month. The gains were realized in service and government employment. Almost all of the jobs lost in these sectors since the beginning of the current recession have been regained. Declines or less than seasonal increases in job levels took place in transportation, wholesale trade, and retail trade industries. Other

DURABLE GOODS JOBS - PENNSYLVANIA



NONDURABLE GOODS JOBS - PENNSYLVANIA



PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University December 1982

nonmanufacturing sectors experienced only usual seasonal variation.

Total employment of Pennsylvania residents increased in October, but the increase was less than the usual seasonal rise. The number of jobless Pennsylvanians also increased. The seasonally adjusted unemployment rate rose to 11.4 percent from 11.2 percent in the preceding month.

New claims for unemployment insurance compensation rose in October, but the percentage increase was less than the usual seasonal increase. Therefore, the seasonally adjusted index for this measure fell.

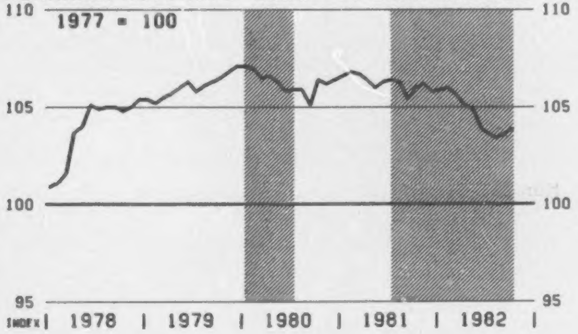
The total value of construction contracts awarded in the state also fell in October. The decline was due to the value of nonbuilding contracts, a highly volatile series, which was extremely high in September. The value of construction contracts for residential and nonresidential buildings both rose slightly in October.

In summary, there were some strengths and some weaknesses in the state's economy in October as there have been throughout this recession. Once again, the main weaknesses were in the durable goods manufacturing industries while the strengths were in the nonmanufacturing sector, particularly in service industries and government.

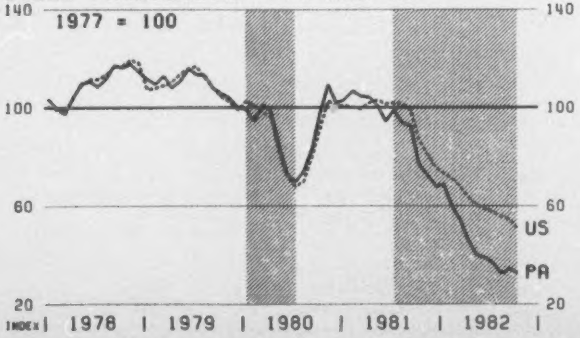
The Nation

Nationwide, the recession lingered on into October. Industrial production, which rises and falls with the business cycle, fell again in October. Moreover, the drops in output have become larger over the past several months. The Federal Reserve Board's index of industrial production fell 0.8 percent in October after declining 0.7 percent in September and 0.2 percent in August.

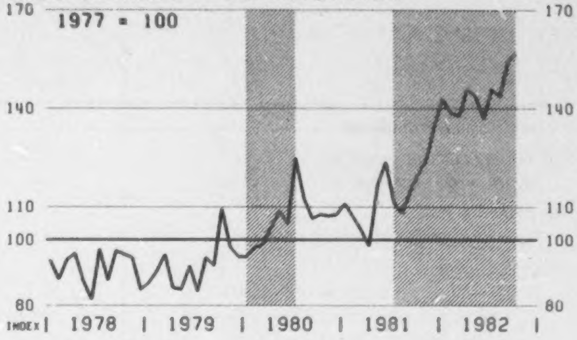
NONMANUFACTURING JOBS - PENNSYLVANIA



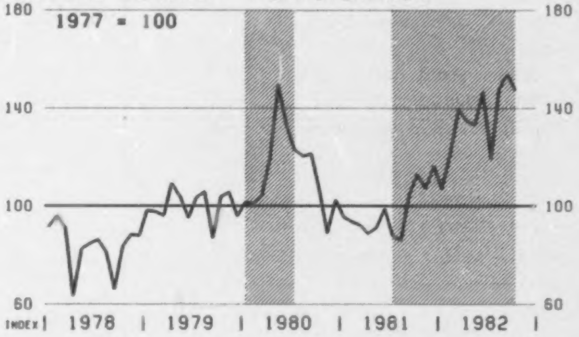
STEEL PRODUCTION - PA AND US



UNEMPLOYMENT - PENNSYLVANIA



INITIAL CLAIMS - PENNSYLVANIA



Furthermore, inventories have not yet been aligned with the slower sales. September's 0.1 percent increase in inventories was the fourth consecutive monthly increase. In light of the continued sluggishness of sales in October, these increases suggest that businesses will further reduce production.

One of the main drags on the nation's business activity has been foreign trade. The merchandise trade balance deteriorated further in the third quarter as exports declined and imports rose.

The strong dollar and continuing recession in the economies of our major trading partners are largely responsible for the merchandise trade deficit. Most of the decline in exports have been in manufactured goods to developing countries, like Mexico, that have been experiencing severe financial problems. On the other side of the account, the strong dollar has made imports a bargain. Recovery will only further whet our appetite for foreign goods, widening the merchandise deficit further before it narrows.

In addition, the surplus in the service account will probably not grow enough to counter this deterioration in merchandise trade like it has in the recent past. Profits from direct investment in foreign companies have declined and the growth rate in interest receipts from U.S. bank loans abroad are slowing.

The good news in the economy in October came from reports of continuing moderation in the rate of inflation, improvements in productivity, and further declines in interest rates. But, whether these developments are enough to bolster consumers' and businessmen's confidence so that they begin spending and, thus, get the recovery going is still unknown.

— Norma Gavin Pappas

ECONOMIC ACTIVITY IN PENNSYLVANIA	1982 Sept	1982 Oct	1981 Oct	Seasonally Adjusted Indexes (1977 = 100.) 1982 Sept	1982 Oct	1981 Oct
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,492*	4,494	4,758	97.9*	97.6	102.9
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,348*	3,368	3,438	103.7*	103.9	106.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,140*	1,119	1,296	84.5*	83.2	96.3
Ave. wkly. hrs. worked by prod. workers	37.8*	38.1	39.1	95.4*	96.4	98.9
Total wkly. person-hours worked (mils.)	29.4*	28.9	35.7	75.8*	74.9	92.7
Total wkly. payroll (mil. dols.)	254.3*	249.2	300.4	112.1*	110.9	133.7
Steel production (thous. tons)	703	685	1,609	34	33	77
Industrial electric power sales (mil. kwh)	3,197	3,107	3,840	85	83	104
Mining						
Anthracite coal (thous. net tons)	476	387	562	104	72	106
Bituminous coal (thous. net tons)	5,924	n.a.	7,652	78	n.a.	99
Construction contracts awarded (mil. dols.)						
Total	432.5	357.2	423.0*	150	105	120*
Residential building	134.4	140.5	125.8*	65	67	60*
Other building	160.6	167.1	126.6*	159	165	121*
Nonbuilding (utilities and public works)	137.6	49.6	170.6	277	63	210
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,892	4,919	5,051	102.0	101.4	104.1
Unemployed						
No. of persons (thous.)	601	620	475	154.4	156.5	120.0
Rate (percentage of labor force)	10.9	11.2	8.6	—	—	—
Rate, seasonally adjusted	11.2	11.4	8.8	—	—	—
Civilian labor force, no. of persons (thous.)	5,493	5,539	5,526	106.0	105.6	105.3

Consumer Prices, all items	Urban Indexes (1967 = 100.) 1982 Sept	1982 Oct	1981 Oct	Percentage Change Month Ago	Year Ago
U.S. city average	293.3	294.1	279.9	+0.3	+5.1
Philadelphia	283.0	281.8	274.7	−0.4	+2.6
Pittsburgh	n.a.	300.7	277.7	n.a.	+8.3
Northeast PA	276.0	n.a.	271.5†	n.a.	+1.7

Notes: Data on employment have been revised to first quarter 1981 benchmarks.
* = Figure revised † = Figure for September 1981 n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

Recession Impacts on Personal Income Growth

The following article is the first in a series of regular articles on Pennsylvania's personal income. The state's quarterly personal income levels will be presented and analyzed in the December, March, June, and September issues of the Survey.

Personal income in Pennsylvania increased a meager 0.4 percent in the second quarter of this year. This was the smallest increase among the 47 states in which personal income rose from first quarter's level. Personal income declined in Montana, Kentucky, and West Virginia.

Furthermore, the small increase in personal income in Pennsylvania translates into a decrease after adjusting for inflation. Consumer prices, as measured by the implicit price deflator for personal consumption expenditures, increased 0.9 percent. The percentage change in current-dollar personal income exceeded the national increase in consumer prices in all states, except Montana, Kentucky, West Virginia, Pennsylvania, Nebraska, North Dakota, and Kansas.

The increase in personal income in Pennsylvania came mostly from increases in transfer payments and dividends, interest, and rent; wage and salary disbursements declined 1.4 percent. This was the first quarterly decline in the wage and salary component since second quarter 1975.

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Transfer payments, which include Social Security payments, unemployment compensation, veterans benefits, and food stamps among other government payments, increased 3.3 percent in the second quarter. This compares to a 3.1 percent increase in the United States as a whole. A substantial portion of the rise stemmed from an increase in unemployment benefits; 44 percent of the national increase in transfer payments came from increases in unemployment insurance payments while almost 56 percent of the increase in Pennsylvania came from this source.

The largest declines in payrolls were in both durable and nondurable manufacturing, construction, and mining. The decline in durable manufacturing payrolls, which was the fourth largest in the nation, reflected weakness in iron and steel production.

Payroll increases last quarter were seen in the financial and farm sectors. The income increases in the financial sector were largely due to the bullish stock market, as financial houses benefited from record volume trading. Farm income in Pennsylvania was up 7.4 percent in the second quarter from first quarter's level but was down a sharp 17.4 percent from the income level in the second quarter of last year.

— *Norma Gavin Pappas*

Major Sources of Personal Income, Seasonally Adjusted at Annual Rates

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1982 II (mil of dols)	1982 II -1982 I	1982 II -1981 II	1982 II (mil of dols)	1982 II -1982 I	1982 II -1981 II
Labor and proprietors income by place of work	89,146	-1.2	2.0	1,815,108	1.1	4.8
By type						
Wage and salary disbursements	75,111	-1.4	2.0	1,545,167	1.0	5.1
Other labor income	8,536	-1.2	6.1	152,371	2.3	10.1
Proprietors income	5,500	2.3	-3.4	117,570	-1.4	-4.4
Farm	533	10.1	-24.4	17,502	0.8	-19.5
Nonfarm	4,967	1.5	-0.4	100,068	1.5	-1.2
By industry						
Farm	799	7.4	-17.5	29,361	1.2	-10.4
Nonfarm	88,348	-1.3	2.2	1,785,748	1.1	5.1
Private	76,241	-1.5	1.6	1,483,416	1.1	4.7
Ag. serv., for., fish., and other	205	1.0	5.7	7,566	0.3	4.0
Mining	1,587	-5.1	55.4	37,773	-3.9	20.2
Construction	4,098	-2.9	-5.3	97,052	0.3	-0.9
Manufacturing	28,108	-5.1	-5.2	451,732	0.4	0.4
Nondurable goods	9,641	-2.4	3.8	163,677	0.9	3.3
Durable goods	18,467	-6.4	-9.2	288,056	0.1	-1.1
Transportation and public utilities	6,756	-0.3	-0.9	141,419	0.7	4.8
Wholesale trade	5,387	-0.2	3.8	125,187	1.0	5.2
Retail trade	7,978	1.7	4.0	171,232	1.8	4.8
Finance, insurance, and real estate	4,804	2.9	8.7	109,163	2.9	8.0
Services	17,317	1.8	9.9	342,291	2.0	9.6
Government	12,107	0.5	6.4	302,332	1.0	7.2
Federal, civilian	3,075	0.3	6.2	68,259	0.1	4.1
Federal, military	417	4.3	28.7	30,680	0.1	15.3
State and local	8,615	0.4	5.5	203,393	1.9	7.1
Personal income by place of residence	128,505	0.4	5.9	2,541,536	1.7	7.2
Net labor proprietor income	82,873	-1.0	2.0	1,703,734	1.1	4.7
Dividends, interest, and rent	23,091	3.2	15.0	472,399	2.8	13.5
Transfer payments	22,541	3.3	12.6	365,403	3.1	11.7

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

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State's Economy Still Sluggish

Job levels and unemployment data for November show the recession to have kept a firm grip on Pennsylvania's economy. Job levels were down from a month earlier in most major sectors of the economy, and the seasonally adjusted unemployment rate rose to 12.1 percent. However, other indicators show only normal seasonal declines, and some were up slightly from a month earlier.

The largest job losses took place in the manufacturing sector, where approximately 7900 jobs in durable goods industries and 6000 jobs in nondurable goods industries were lost last month. Job levels also fell in mining and construction industries.

Furthermore, although the level of jobs in service-producing industries rose slightly, the increase was less than the normal seasonal increase at that time of year. These industries include transportation and public utilities; wholesale and retail trade; insurance, finance, and real estate; services; and federal, state, and local government.

Total employment in Pennsylvania fell slightly in November while another 26,000 residents entered the jobless ranks. The seasonally adjusted unemployment rate stood at 12.1 percent, up from 11.5 percent a month earlier and 9.0 percent a year earlier.

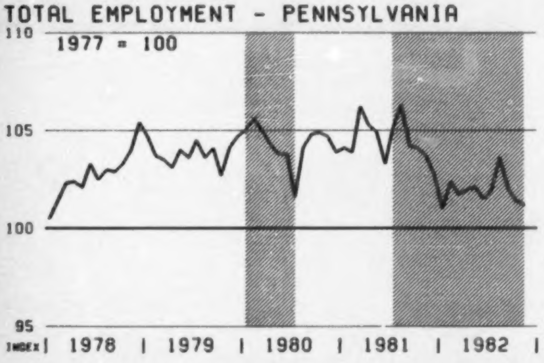
Employment and job levels are good measures of where the economy has been. However, they often continue to fall several months after a recovery begins. Employers increase production first by increasing the hours worked by employees still on the job and only later by hiring back laid-off workers. Therefore, other indicators should be considered in assessing the direction in which the economy is headed.

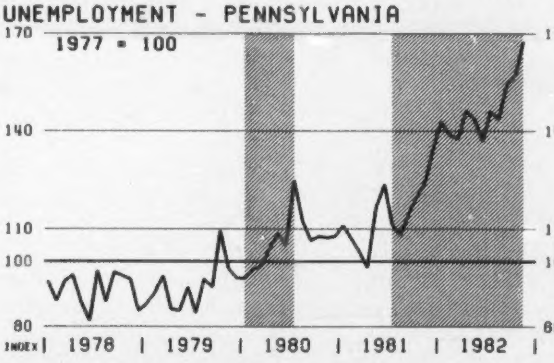
Two leading indicators of the economic business cycle are average weekly hours worked by production workers and initial claims for unemployment benefits. The performance of these indicators remained lackluster in November. Average weekly hours worked by production workers in Pennsylvania's manufacturing industries rose in November, but the increase was slightly short of the normal seasonal increase. At the same time, the number of new claims for unemployment fell after seasonal adjustment for the second consecutive month, but they remained at record high levels.

Somewhat better news was seen in steel production in the state, which levelled off in November. Only the normal seasonal slowdown took place in Pennsylvania's mills while total national production continued to decline more than seasonally expected. As a result, Pennsylvania's share of total national steel production rose to 14.5 percent from 13.0 percent a month earlier but was well below the 18.2 percent of a year ago.

The decline in sales of electricity to industrial users was also halted last month. This indicator, which usually experiences a small seasonal decline in November, rose slightly. Industrial electric power sales reflect short-run changes in industrial production.

In addition, the value of construction contracts awarded was up from figures of a year ago. An increase was seen in every category, except nonresidential buildings. However, 1981 was a bad year for the construction industry and, if





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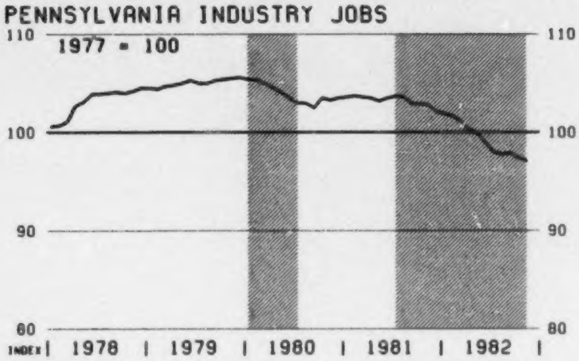
College of Business Administration The Pennsylvania State University January 1983



adjustments are made for inflation, November's advance becomes very weak.

Other good news came in the inflation front. Cost-of-living increases in the state remained moderate in November, running below the national average in Philadelphia and the Scranton/Wilkes-Barre area but above the national average in Pittsburgh.

Recession: Wide and Deep

November marked the recession's 17th month. It has now run as long as the recession which officially ran from November 1973 to March 1975. But, the employment situation in Pennsylvania is worse today than it was at the trough of the relatively severe 1973-75 recession. The current recession has spread to a wider number of industries and has cut deeper into employment in most sectors of the state's economy.

In the past 17 months, the number of wage and salaried jobs in all Pennsylvania's nonfarm industries has dropped by 6.4 percent. In the earlier recession, only 3.1 percent of total nonfarm payroll jobs were lost in the state before employment in these industries began to pick up in July of 1975.

Some industries have been harder hit than others. The manufacturing sector, which is traditionally sensitive to business cycle fluctuations, has been especially hard hit. Since July 1981, the number of manufacturing jobs has dropped by 16.0 percent. Within the manufacturing sector,

Economic Activity in Pennsylvania	1982		1981	Seasonally Adjusted Indexes (1977 = 100.) 1982		1981
	Oct	*Nov*	*Nov*	*Oct*	*Nov*	*Nov*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,486*	4,477	4,742	97.4*	97.1	102.8
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,364*	3,372	3,459	103.7*	103.6	106.2
Manufacturing						
No. of wage and salaried jobs (thous.)	1,116*	1,102	1,277	83.0*	82.1	95.2
Ave. wkly. hrs. worked by prod. workers	38.1	38.5	39.3	96.4	96.2	98.2
Total wkly. person-hours worked (mils.)	28.7*	28.6	35.2	74.6*	73.3	90.4
Total wkly. payroll (mil. dols.)	247.7*	249.0	298.2	110.3*	108.8	130.3
Steel production (thous. tons)	685	661	1,448	33	33	73
Industrial electric power sales (mil. kwh)	3,107	3,112	3,680	83	86	101
Mining						
Anthracite coal (thous. net tons)	387	347	676	72	61	118
Bituminous coal (thous. net tons)	5,657	n.a.	6,649	73	n.a.	92
Construction contracts awarded (mil. dols.)						
Total	357.2	349.8	316.9*	105	107	95*
Residential building	140.5	123.3	123.5*	67	74	72*
Other building	167.1	184.6	177.7*	165	142	145*
Nonbuilding (utilities and public works)	49.6	41.9	15.7*	63	91	36*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,919	4,916	5,035	101.4	101.2	103.7
Unemployed						
No. of persons (thous.)	620	646	480	156.5	167.3	124.5
Rate (percentage of labor force)	11.2	11.6	8.7	—	—	—
Rate, seasonally adjusted	11.5	12.1	9.0	—	—	—
Civilian labor force, no. of persons (thous.)	5,539	5,562	5,515	105.6	106.3	105.3

	Urban Indexes (1967 = 100.) 1982		1981	Percentage Change	
Consumer Prices, all items	*Oct*	*Nov*	*Nov*	*Month Ago*	*Year Ago*
U.S. city average	294.1	293.6	280.7	−0.2	+4.6
Philadelphia	281.8	282.9	274.1	+0.4	+3.2
Pittsburgh	300.7	n.a.	277.7†	n.a.	+8.3
Northeast PA	n.a.	279.4	272.2	n.a.	+2.6

Notes: Data on employment have been revised to first quarter 1981 benchmarks.
* = Figure revised † = Figure for September 1981 n.a. = Data not available

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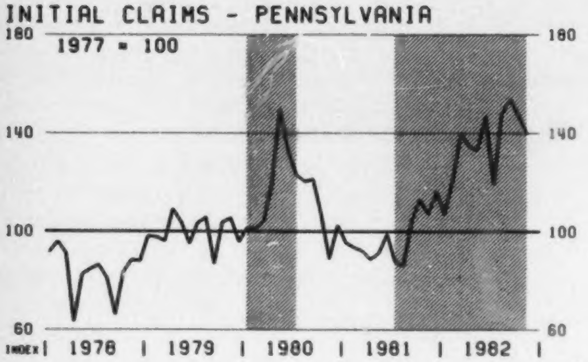

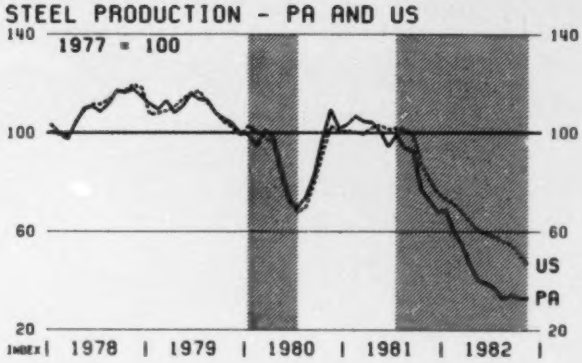

employment in durable goods industries has fallen 21.8 percent while employment in nondurable goods industries has fallen 6.7 percent.

These declines differ from those experienced in the 1973-75 recession. Because 1973 and 1974 were boom years for the steel industry, employment cutbacks were not made until later in the recession. As a result, the total job loss in durable goods industries during the 1973-75 recession was only 11.4 percent — a little more than half of the loss in the current recession. On the other hand, the job loss in nondurable goods industries was 13.2 percent — double the loss experienced in this recession to date. Total manufacturing jobs in Pennsylvania declined 11.8 percent during the earlier recession.

Other differences in job losses can be seen in the mining industry. One cause of the 1973-75 recession was the oil embargo some OPEC nations imposed on oil shipments to the United States. This embargo helped revitalize the coal industry. Employment in mining increased in Pennsylvania by 14.2 percent during that recession. In contrast, there is currently an abundance of oil. Furthermore, the decline in the steel industry, a major user of Pennsylvania coal, and the shift in the production of coal from the Appalachian region to the west has severely affected the coal mining industry in the state; the number of mining jobs has slipped 12.4 percent since the beginning of the recession.

The construction industry in Pennsylvania has been severely affected in both recessions. Plagued by record real interest rates, the industry has lost 14.4 percent of total jobs since July 1981. In the earlier recession, the number of construction jobs continued to climb until March 1974. The decline between that month and May 1975 when the job level began to turn around again was 15.5 percent.

The current recession has also been more pervasive than the 1973-75 recession, cutting into service-producing industries, generally considered to be recession-proof. Since July 1981, 1.8 percent of wage and salaried jobs in these industries have been lost. In the earlier recession, the job level in this sector grew 1.7 percent.

The seasonally adjusted unemployment rate for the state has risen 4.2 percentage points, from 7.9 percent in July 1981 to 12.1 percent this November. In the earlier recession, it rose 5.1 percentage points from a much lower 4.1 percent in March 1973 to 9.2 percent in May 1975. By the end of 1981, the earlier recession's peak unemployment rate had been reached. The higher rates this time are partly due to greater labor force participation among many population groups.

Nationally, the percentage decline in total nonfarm payroll jobs between July 1981 and November of this year and between the peak and the trough of the 1973-75 recession were both 2.9 percent. The two recessions also had different impacts on the employment levels in the different sectors of the national economy; the nondurable goods and construction industries have faired slightly better this time round while the mining and service-producing sectors have faired less well. Durable goods industries lost almost 14 percent of jobs during both recessionary periods.

Unemployment in the nation as a whole has risen by 3.6 percentage points since July 1981 when it stood at 7.2 percent. In the 1973-75 recession, unemployment rose by 3.8 percentage points, from 4.8 percent in November 1973 to 8.6 percent in March 1975.

The pattern and depth of job losses in Pennsylvania during the 1973-75 recession matched the pattern for the nation as a whole fairly closely. Nevertheless, it took Pennsylvania's industries nine to 12 months longer than the national average to regain previous peak job levels.

The job cuts in most major sectors of the state's economy have been larger than those in the national economy in the current recession. Thus, the outlook is grim. Pennsylvanians can expect a long and slow road back to economic good times.

— Norma Gavin Pappas

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Employment by Major Population Groups

All major population groups in Pennsylvania had more employed in the third quarter of this year than in the second quarter. However, compared to year-ago figures, there were fewer employed in every group, except women.

The largest percentage decrease was experienced by nonwhites among whom employment dropped by 12.3 percent over the year. Numerically, the greatest loss was suffered by men; approximately 193,000 fewer males were employed in the third quarter of this year compared to the number employed in the third quarter of last year.

In addition, the number of jobless Pennsylvanians in the work force rose last quarter in all major groups, except nonwhites. The unemployment rate for blacks and other racial groups declined slightly in the third quarter from second quarter's level. But because of the small sample size in this group, the increase was not statistically significant, and therefore it does not necessarily indicate improved conditions.

The increases in the number of employed and unemployed residents were a result of higher labor force participation among all groups last quarter. The only exception was among men; the labor force participation rate for males remained unchanged at 73.4 percent.

The recession continued to have a greater impact on male workers than female workers in Pennsylvania. The unemployment rate among men in the state was 11.8 percent last quarter compared to a 9.2 percent jobless rate among women. Nationally, the unemployment rate for men fell below the rate for women last quarter, returning to the historical relationship. The continued reversal in Pennsylvania of the tendency for men to have a higher unemployment rate than women points out the severe effects the current recession has had on durable goods manufacturing industries, which employ a disproportionately large share of the male work force.

The unemployment rate for nonwhites was 20.0 percent in the July-September period, not significantly different from the 19.0 percent rate in the third quarter of last year; nationally, nonwhite workers had a 17.8 percent unemployment rate. Pennsylvania's minorities were also less likely to be actively looking for work than minorities nationwide — about 54 percent of the state's minorities, 16 years of age and older, were in the labor force compared with nearly 63 percent of nonwhites nationally.

Among Pennsylvania's teenagers, 22.9 percent were unemployed during the July-September period, a rise from 17.8 percent in the third quarter of last year. The state's pattern of teenage unemployment change mirrored the national trend where a 22.1 percent rate was reported.

— *Norma Gavin Pappas*

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percentage Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	1982 III (in thousands)	Over quarter	Over year	1982 III	1982 II	1981 III	1982 III	1982 II	1981 III
Pennsylvania									
Total, seasonally adjusted	4,915	0.5	—	10.9	10.3	8.2	60.3	59.6	60.4
Total, unadjusted	4,966	1.8	- 2.6	10.6	10.1	8.0	60.7	59.4	60.9
Male	2,788	0.9	- 6.5	11.8	11.2	7.9	73.4	73.4	75.6
Female	2,178	2.9	2.9	9.2	8.7	8.2	49.5	47.8	47.9
White	4,623	1.5	- 1.8	9.8	9.2	7.0	61.4	60.3	61.2
Black and other	343	4.9	-12.3	20.0	21.8	19.0	53.7	50.8	57.4
16-19 years old	377	15.6	- 8.0	22.9	20.2	17.8	58.4	50.5	60.0
United States									
Total, seasonally adjusted	99,764	0.0	—	9.9	9.5	7.4	64.2	64.0	63.8
Total, unadjusted	100,839	1.0	- 0.9	9.7	9.3	7.3	64.7	64.0	64.4
Male	57,301	1.1	- 2.4	9.5	9.4	6.6	77.6	76.9	77.9
Female	43.539	0.9	1.2	9.9	9.2	8.2	53.2	52.4	52.2
White	88,986	0.8	- 1.0	8.5	8.2	6.2	65.0	64.4	64.7
Black and other	11,853	2.9	0.3	17.8	17.0	14.6	62.9	61.2	62.2
16-19 years old	7,396	10.7	- 8.9	22.1	23.3	17.9	60.4	55.0	61.2

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.
NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

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1982 in Review and an Outlook on 1983

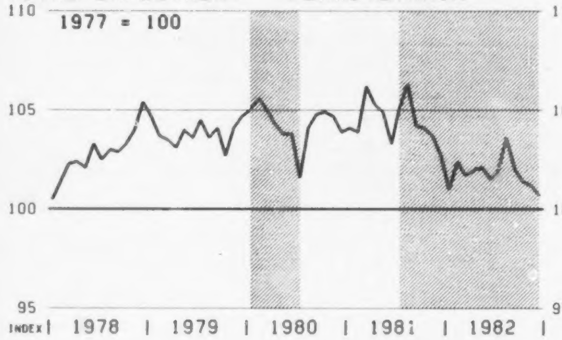
The year ended with the economies of both Pennsylvania and the nation performing at their lowest levels in the post-World War II era and with the Pennsylvania economy in considerably worse condition than the nation's in general.

Almost 100,000 fewer Pennsylvanians were employed in December than in the same month a year earlier, bringing the seasonally adjusted employment rate for the state to 12.9 percent. The comparable rate for the nation was 10.8 percent. Ten other states had higher rates.

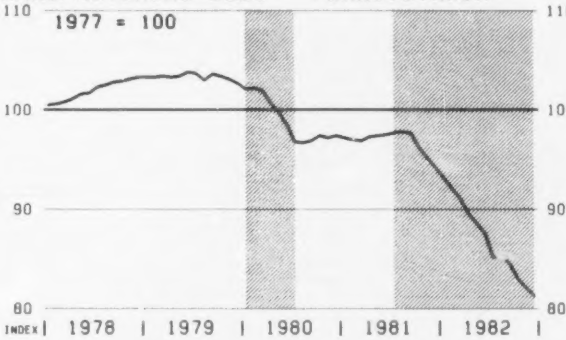
In January the unemployment rate in the state rose further to 13.6 percent while the rate for the nation dropped to 10.4 percent.

The bulk of the employment losses over the year for both the state and the nation took place in the manufacturing sector as factory activity slowed to postwar lows. When the current contraction began in July 1981, the level of industrial activity was already low relative to the postwar trend because of the proximity of the previous recession and longer-run problems of some major U.S. industries, such as autos and steel.[1] The rate of capacity utilization in manufacturing, which had been 87.2 percent at the peak in March 1979, reached only 80.0 percent at its highest point in 1981. In December 1982, the operating rate fell to a seasonally adjusted 67.3 percent of

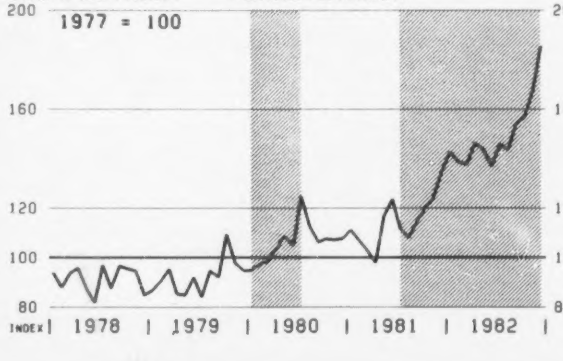
TOTAL EMPLOYMENT - PENNSYLVANIA



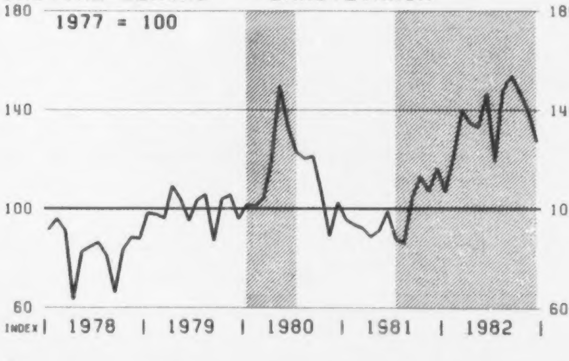
MANUFACTURING JOBS - PENNSYLVANIA



UNEMPLOYMENT - PENNSYLVANIA



INITIAL CLAIMS - PENNSYLVANIA



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[1] Much of the analysis of the U.S. industrial production is taken from Joan D. Hosley and Richard D. Raddock, "Industrial Production in Recession," *Federal Reserve Bulletin*, November 1982, pp. 681-690.

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **February 1983**

capacity, the lowest monthly rate in the 34 years the Federal Reserve Board has kept this statistic. The average annual rate for 1982 at 69.8 percent of capacity was also the lowest recorded annual rate.

Since the beginning of this recession, the Fed's index of industrial production for the nation has declined 12.5 percent. More than half of this decline can be accounted for by the drop in the output of industrial materials, which declined 17.3 percent between July 1981 and December 1982. Durable goods materials fell 22.3 percent in this time.

Although the output of durable goods materials traditionally tends to fluctuate more widely over the business cycle than does both the output of products and the output of nondurable goods materials, the cutbacks in durable goods materials have been especially acute in this recession. Several factors have contributed to these cutbacks, including sharp declines in demand for consumer durables, construction supplies, and business equipment; massive inventory liquidation; reductions in demand from abroad, caused in part by the appreciation of the dollar; and in some cases, sharper competition from foreign producers of materials.

The steep declines in durable goods materials explain Pennsylvania's relatively worse performance when compared to national averages. Not only does Pennsylvania have a larger share of these industries than other states on average, but also the state's industries that produce these materials have been more vulnerable.

The steel industry is a case in point. Many of the state's mills are among the oldest and least efficient in operation in the U.S. When a downturn in the industry occurs, these are the first to be shut down. Therefore, while raw steel production in the nation in 1982 was down by almost 40 percent from 1981 levels, the total tonnage of raw steel produced in Pennsylvania's mills was less than half that produced in 1981. Only 13.2 percent of the total output of raw steel in the U.S. came from Pennsylvania's mills in December compared to an average of 20 percent in 1981. The

Economic Activity in Pennsylvania

	1982		1981	Seasonally Adjusted Indexes (1977 = 100.) 1982		1981
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,476*	4,440	4,711	97.0*	96.4	102.1
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,371*	3,351	3,440	103.6	103.0	105.8
Manufacturing						
No. of wage and salaried jobs (thous.)	1,102	1,091	1,264	82.1	81.3	94.2
Ave. wkly. hrs. worked by prod. workers	38.5	38.4	39.0	96.2	96.4	97.9
Total wkly. person-hours worked (mils.)	28.6	28.1	34.4	73.3	72.9	89.4
Total wkly. payroll (mil. dols.)	248.8*	247.0	293.7	108.7*	108.4	129.0
Steel production (thous. tons)	661	587	1,430	33	28	68
Industrial electric power sales (mil. kwh)	3,112	2,999	3,642	86	83	101
Mining						
Anthracite coal (thous. net tons)	347	353	394*	61	77	86*
Bituminous coal (thous. net tons)	5,337	n.a.	7,570	74	n.a.	102
Construction contracts awarded (mil. dols.)						
Total	349.6	306.2	387.6*	107	126	148*
Residential building	123.3	108.8	93.5*	74	91	78*
Other building	184.6	142.4	146.1*	142	174	162*
Nonbuilding (utilities and public works)	41.9	55.1	148.0*	91	85	233*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,916	4,831	4,930	101.2	100.7	102.7
Unemployed						
No. of persons (thous.)	646	692	506	167.3	185.4	135.3
Rate (percentage of labor force)	11.6	12.5	9.3	—	—	—
Rate, seasonally adjusted	12.1	12.9	9.6	—	—	—
Civilian labor force, no. of persons (thous.)	5,562	5,523	5,437	106.3	107.2	105.2
Initial claims for unemployment benefits	204,590	253,225	239,778	139.9	127.4	116.5

	Urban Indexes (1967 = 100.) 1982		1981	Percentage Change	
Consumer Prices, all items	*Nov.*	*Dec.*	*Dec.*	*Month Ago*	*Year Ago*
U.S. city average	293.6	292.4	281.8	−0.4	+3.8
Philadelphia	282.9	281.6	274.9	−0.5	+2.4
Pittsburgh	n.a.	302.1	281.8	n.a.	+7.2
Northeast PA	279.4	n.a.	272.2	n.a.	+2.6

Notes: Data on employment have been revised to first quarter 1981 benchmarks.

* = Figure revised =figure for November 1981 n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

state has fallen from first to third place among the leading states in the production of steel. It now ranks behind Indiana and Ohio.

These cutbacks have had dramatic effects on industry job levels. Job losses in the durable goods sector (products and materials) have been sharp and steady in the state over the course of the recession. As 1982 came to an end, one out of every four jobs that had existed in these industries in September 1981 had been cut.

Production and employment levels in other industries followed a more varied course. The decline in total output from the nation's factories was most pronounced in the first six months of the recession as producers cut production more sharply than sales to adjust inventories. The index of industrial production fell 8.6 percent between July 1981 and January 1982. In the first half of 1982, the output of consumer goods stabilized, slowing the decline in total production. The index fell only another 1.2 percent between January 1982 and July of the same year. These developments, along with the boost to spendable income for the July 1 federal income tax cut, led analysts to believe that an upturn in economic activity would take place during the summer.

But, industrial activity remained weak. Retail sales failed to pick up. Moreover, the contraction in business investment persisted unabated and the sizable appreciation of the dollar kept many goods produced in the U.S. at a competitive disadvantage both at home and abroad. As a result, factory output slipped another 2.7 percent by the end of the year.

No index of industrial production is available for Pennsylvania. However, short-run changes in total factory output are reflected in sales of electricity to industrial users. These data show the same pattern of production for the state as seen in the Fed's index for the U.S. Industrial electric power sales were down a sharp 11.7 percent from July 1981 to January 1982; they eased somewhat from January 1982 to July 1982 with a drop of 5.6 percent; and they fell at the slightly higher pace of 7.5 percent in the second half of 1982.

What analysts are predicting for 1983 is pretty much what they had predicted, but did not get, for 1982 — slow growth in the first half of the year, with an improved, but still quite modest, rate of growth in the second half of the year. These predictions may have a better chance of being realized this year as many of the negative factors that prevented a recovery last year have improved. Short-term interest rates have dropped sharply since August 1982 although long-term real rates remain stubbornly high. Consumers have improved their balance sheets by paying off installment debt. In July, they will get a further boost from another 10 percent personal income tax cut. Inventories have been slashed to the bone. Therefore, producers will have to raise production as consumer demand picks up, and that will eventually lead to more hiring. The financial position of business is greatly improved as companies have held down costs by cutting employment, limiting wage gains, and increasing productivity. Finally, the dollar has begun to weaken. If it continues to decline, U.S. producers may be able to capture some of the market share lost to overseas manufacturers during the last couple of years.

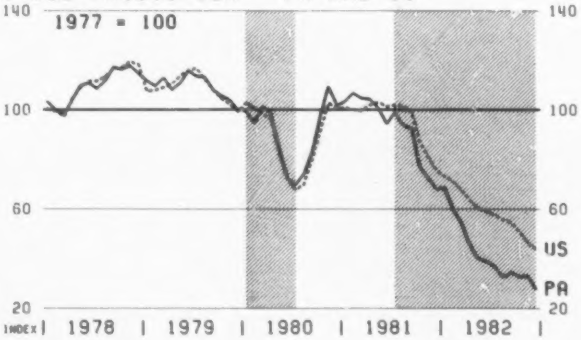
Yet, there are many obstacles to growth remaining in the path of the economy. The record budget deficits of the federal government will put upward pressure on interest rates as the Treasury competes with private borrowers in the money markets. Furthermore, with much of the projected growth in Gross National Product coming from higher productivity, employment will rise only as fast as the expected growth in the labor force and not fast enough to absorb the backlog of people looking for work. Continued high unemployment will have a dampening effect on consumer spending.

Thus, there are signs that economic recovery is on its way, but the road there is a rocky one. It is especially rocky for Pennsylvania as a review and outlook of the major industry groups in Pennsylvania given below indicate.

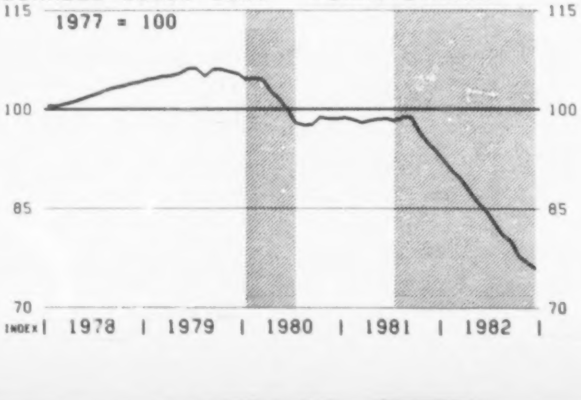
Primary metals. Historically, primary metals industries, which include producers of steel, aluminum, and other nonferrous metals, have been a large and important segment of the Pennsylvania economy. In 1960, this sector accounted for more than 8 percent of total Gross State Product (GSP) and 6.8 percent of all nonfarm industry jobs, providing employment for approximately 252,900 Pennsylvanians.

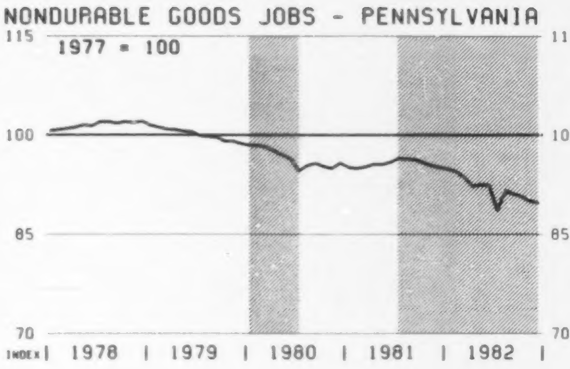
However, except for the upturns in 1963-64 and 1973-74, the relative contribution of this industry group to the strength of the economy has been on a decline since the early 1960s. In 1981, only 6.4 percent of GSP and 3.9 percent of total nonfarm industry jobs in the state came from this sector. In 1982, it contracted further; the average monthly job level in the primary metals industry group fell 23.9 percent. At year end, there were only 116,000 positions in these industries, accounting for 2.6 percent of all nonfarm industry jobs. Furthermore, no improvement was in sight; early orders for the first quarter of 1983 indicated a decline from the fourth quarter of 1982.

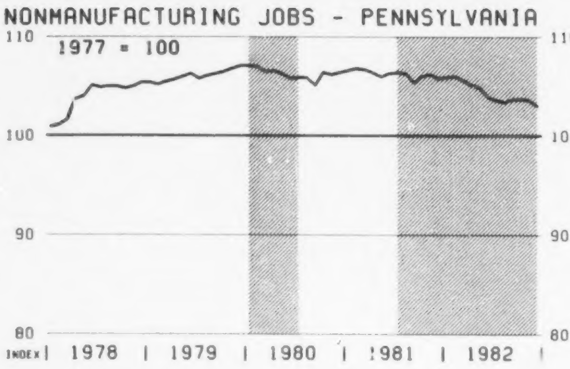
STEEL PRODUCTION - PA AND US



DURABLE GOODS JOBS - PENNSYLVANIA







Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania			United States		
	1981*	1982*	Percentage Change	1981*	1982*	Percentage Change
No. of wage and salaried jobs						
All nonfarm industries	4,737	4,534	-4.3	91,105	89,619	-1.6
Goods-producing industries	1,528	1,374	-10.1	25,481	23,882	-6.3
Mining	45	44	-2.2	1,132	1,122	-0.9
Construction	183	163	-10.9	4,176	3,912	-6.3
Manufacturing	1,300	1,167	-10.2	20,173	18,849	-6.6
Durable goods	791	678	-14.3	12,117	11,114	-8.3
Primary metals	184	140	-23.9	1,121	919	-18.0
Nondurable goods	509	488	-4.1	8,056	7,735	-4.0
Service-producing industries	3,198	3,157	-1.3	65,625	65,737	+0.2
Transportation and public utilities	258	242	-6.2	5,157	5,057	-1.9
Wholesale trade	245	237	-3.3	5,359	5,294	-1.2
Retail trade	742	731	-1.5	15,192	15,253	+0.4
Finance, insurance, and real estate	241	242	+0.4	5,301	5,350	+0.9
Services and miscellaneous	1,006	1,017	+1.1	18,592	19,000	+2.2
Federal government	134	135	+0.7	2,772	2,733	-1.4
State and local government	572	553	-3.3	13,253	13,051	-1.5
Ave. wkly. hours worked by production workers						
All manufacturing industries	39.2	38.4	-2.0	39.8	38.9	-2.3
Durable goods	40.2	39.1	-2.7	40.2	39.3	-2.2
Primary metals	38.6	37.0	-4.1	40.5	38.5	-4.9
Nondurable goods	37.8	37.3	-1.3	39.1	38.4	-1.8
Total factory person-hours worked *(mils.)*	36.0	30.5	-15.3	558.0	497.5	-10.8
Total factory payrolls *(mil. dols.)*	299	263	-12.0	4,460	4,228	-5.2
Steel production *(thou. tons)*	2,004	908	-54.7	10,001	6,075	-39.3
Industrial electric power sales *(mil. kwh)*	3,841	3,537	-7.9	n.a.	n.a.	n.a.
Mining						
Anthracite *(thou. net tons)*[1]	452	352	-22.1			
Bituminous *(thou. net tons)*	6,333	5,993	-5.4	68,196	68,315	+0.2
Construction contracts awarded						
Total, current dollars (mils.)	409.2	371.9	-9.1	12,790.0	12,885.0	+0.7
Residential building	134.1	124.4	-7.2	5,013.7	4,839.7	-3.5
Nonresidential building	170.7	146.5	-14.2	5,007.3	4,934.0	-1.5
Nonbuilding (utilities and public works)	104.4	101.0	-3.3	2,769.0	3,111.3	+12.4
Total, constant 1977 dollars (mils.)†	268.3	238.2	-11.2	8,386.9	8.254.3	-1.6
Residential building	87.9	79.7	-9.3	3,287.7	3,100.4	-5.7
Nonresidential building	111.9	93.9	-16.1	3,283.5	3,160.8	-3.7
Nonbuilding	68.5	64.7	-5.5	1,815.7	1,993.1	+9.8
Employed, no. of persons (thous.)	5,018	4,889	-2.6	100,397	99,526	-0.9
Unemployed						
No. of persons (thous.)	458	599	+30.8	8,273	10,678	+29.1
Rate (percentage of labor force)	8.4	10.9		7.6	9.7	
Civilian labor force, no. of persons (thous.)	5,476	5,488	+0.2	108,670	110,204	+1.4
Initial claims for unemployment benefits (thous.)	141	190	+34.8			
Consumer Price Index for All Urban Consumers, all items (1967 = 100)						
U.S. city average				272.4	289.1	+6.1
Philadelphia	266.0	279.0	+4.9			
Pittsburgh	273.3	288.9	+5.7			
Northeast PA	263.3	273.4	+3.8			

*Average of monthly figures.

[1] Pennsylvania is the only state mining Anthracite.

†Based on the Department of Commerce Monthly Composite Construction Cost Index.

Nevertheless, most analysts expect the metals industries to start to recover in 1983. Inventories have been cut to the bone. A shift from inventory cutting to inventory stability alone could increase steel shipments by more than 20 percent.[1] Furthermore, with little or no backlog in orders, any increase in demand could lead to almost immediate gains in production.

Some increase in demand is expected in consumer markets for 1983. Modest gains are predicted for automotive, home building, and appliances. But these are not expected to offset losses in the industrial sector. Further declines are predicted for heavy construction, machinery, railroad products, and oil and gas drilling. Thus, further permanent contraction in the primary metals industry group is likely.

Other durable goods. Pennsylvania's other durable goods industries have fared less well than the national average for these industries. This sector, which accounted for 13.7 percent of GSP in 1981, includes transportation equipment, machinery, and fabricated metal products. From 1981 to 1982, the average monthly job level in these industries fell 11.4 percent in Pennsylvania while they fell 7.3 percent in the U.S.

Lower interest rates in 1983 may help to stir up some activity in this sector. But, it is still expected to limp along, and because of the concentration of metalworking industries in Pennsylvania's durable goods industry mix, we can expect the state to continue to trail the nation.

Nondurable goods. On the other hand, Pennsylvania's nondurable goods sector, which includes such industries as textiles, apparel, and food products, has fared about the same as the national average, losing approximately 4 percent of all wage and salaried jobs from 1981 to 1982.

These industries should lead the manufacturing industries in the recovery. Furthermore, Pennsylvania's nondurable goods industries should keep pace with the nation's, and because they contribute a significant amount of GSP—11.1 percent of the total in 1981—these industries should have a stabilizing effect on the state's economy.

Construction. Last year was disastrous for the state's construction industry, but 1983 should be much better. Nationally, the value of total construction contracts awarded, propped up by utility and public works awards, rose a slight 0.7 percent. But, after adjusting for inflation, it was 1.6 percent below the 1981 level. Employment in the industry fell 6.3 percent. In Pennsylvania, the picture was even more dismal. The value of awards in constant dollars dove 11.2 percent and was only 40 percent of the 1971 peak. Furthermore, employment in the state's construction industry fell 10.9 percent from the 1981 level.

With the lower interest rates, the industry is showing signs of recovery. However, almost all of the improvement this year is expected to occur in private residential buildings. In addition, the recent passage of the gasoline-tax increase to fund public works programs could result in a significant rise in this category. But, the overbuilt commercial building industry is expected to decline further.

Because of the generally worse conditions in the state's overall economy compared to the nation's, Pennsylvania's construction industry is not expected to recover as fast or as completely as the industry nationwide.

Mining. Pennsylvania's two major extractive industries—bituminous coal and crude petroleum—are in a contraction for which no immediate end is in sight. The failure of the OPEC nations to agree on production cuts to stem the excess supply of oil on the world market jeopardizes the competitiveness of Pennsylvania's energy fuels. The contraction of the steel industry, a major consumer of coal, has also had a dampening effect on the state's coal industry. In addition, coal producers in Pennsylvania and other Appalachian states have lost market share to producers in western parts of the U.S., where coal is cheaper to extract, is closer to market growth, and is of a lower sulfur content and therefore less polluting when burned.[1] Consequently, although Appalachian coal has a higher energy content, western producers have taken over the competitive advantage.

Analysts predict that if a sustainable economic recovery materializes and if the supply of petroleum stabilizes, the demand for coal both at home and abroad is likely to grow, providing opportunities for all coal-producing regions to increase output. Nevertheless, western producers will probably take a greater share of the coal market. Thus, the coal industry in Pennsylvania should expect a less robust recovery than the nation as a whole. But, because it contributes slighly less than 2 percent of the GSP, the overall effect on the state's economy will not be that great.

Services. The service-producing sector of the economy, which accounted for over 60 percent of GSP in 1981, has shown greater strength during the recession although some weakening is evident. This sector includes such diverse industries as transportation and public utilities, wholesale and retail trade, finance, insurance, and real estate, and other services, as well as government.

Nationally, the average job level in these industries in 1982 held its 1981 level, increasing only a slight 0.2 percent. In Pennsylvania, on the other hand, 1.3 percent of jobs in the service-producing sector were lost in 1982. Each major

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[1] "Annual Forecast," *Chilton's Iron Age*, January 3, 1983, p. 33.

[1] Gerald H. Anderson, "The Shift to Western Coal," *Economic Commentary*, (Federal Reserve Bank of Cleveland: Cleveland, Ohio, October 18, 1982).

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industry group within the sector, except for federal government, either lost a larger percentage of jobs or gained a smaller percentage of jobs than did the nation as a whole.

The miscellaneous service industries showed the greatest expansion although the rate of expansion was the slowest in 24 years for the nation and the slowest in 20 years for the state. Over half the new jobs gained last year were in the health industry, and most of the rest were in social services and the amusement and recreation industry.[1] Employment in these industries will continue to grow, and other industries in this category are expected to begin to grow soon. Much hope is put on consumer spending to get the economy moving. Thus, retail sales are expected to be one of the next indicators to show improvement. The stock market has already shown gains with positive effects on profits and employment in the finance industry.

In conclusion, Pennsylvania's economy will soon begin to recover but will continue to trail the nation. Some of the contraction in the state's heavy manufacturing industries is permanent and this will continue to dampen consumer confidence and drag down other sectors of the economy in 1983. Low-paying service jobs requiring few specialized skills will be easily filled, but those jobs requiring more specialized skills may go unfilled despite high unemployment while the labor force retrains to meet the challenge.

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[1] "Where the Jobs Aren't: The Recession Will Go on and on for Blue-collar Workers," *Fortune*, February 7, 1983, p. 25-26.

Around the State

Southeastern Quarter

Harrisburg

The Harrisburg economy has proven to be the most hardy of the major metropolitan economies of the state with respect to employment losses. The area lost the smallest percentage of total nonfarm industry jobs on average in 1982 and had the lowest average monthly unemployment rate for the year.

The area's economy is bolstered by government employment and a strong service sector. At the end of 1982, the number of wage and salaried jobs in federal, state, and local government was unchanged from a year earlier while the job level in the service sector grew by almost 3 percent from December 1981 to December 1982.

Nevertheless, the recession has not left the area untouched. A slowdown in economic activity was clearly evident in the fourth quarter of last year. Job levels were down in both manufacturing and nonmanufacturing industries, and sales of electricity to industrial users, an indicator of short-run changes in industrial output, were only about three-fourths of 1981 fourth quarter sales.

Despite these losses, the Harrisburg area had the smallest decline in the average monthly job level in nonmanufacturing industries and the second smallest decline in the average monthly job level in manufacturing industries among the state's major metropolitan areas — only the State College area had a smaller drop.

The area's construction industry showed the greatest weakness in 1982. The job level in this industry group fell 10.9 percent from December 1981 to December 1982, and the value of construction contracts awarded for nonresidential buildings fell almost 30 percent for its 1981 level.

However, the value of residential contracts was up almost 10 percent from the 1981 level after adjusting for inflation. In addition, there was a sharp increase in the value of nonresidential contracts in the fourth quarter of 1982.

Lancaster

Recession effects continued to dominate the Lancaster area economy in the final quarter of 1982. However, compared to the economies of other metropolitan areas in the state, it has fared relatively well during the course of the recession.

Employment conditions in the area worsened after having shown some improvement in the two middle quarters of the year. The seasonally adjusted unemployment rate rose to 7.6 percent in the fourth quarter following a 7.1 percent rate in the third quarter but was below the high of 8.1 percent in the first quarter of the year. Total employment of area residents also fell last quarter after increases in the previous two quarters.

Harrisburg Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	224.9	114	116	113
Unemployed, no. of residents	16.0	144	123	130
Civilian labor force, no. of residents	240.9	116	116	114
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	222.8	107	108	108
Nonmfg. only, no. of jobs	183.7	109	110	110
Mfg. only, no. of jobs	39.1	98	100	103
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	98	98	99
Industrial electric power sales	***	77	84	100

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	17.8	+ 11.9	+ 18.7
Nonresidential bldg. contracts only	54.4	+361.0	+110.9

[1] Cumberland, Dauphin and Perry Counties

Lancaster Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	172.7	110	111	111
Unemployed, no. of residents	13.8	176	156	144
Civilian labor force, no. of residents	186.5	113	113	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	149.0	104	105	109
Nonmfg. only, no. of jobs	95.0	111	110	112
Mfg. only, no. of jobs	54.0	95	97	105
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	96	97	96
Industrial electric power sales	***	94	98	103

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	19.0	+ 8.0	+39.7
Nonresidential bldg. contracts only	7.1	−25.3	−53.0

[1] Lancaster County

The total nonfarm industry job level fell for the fifth consecutive quarter. Most of the job losses were in the durable goods manufacturing sector, but a substantial number of jobs were also lost in nondurable goods manufactures and services. However, total nonmanufacturing jobs rose from a quarter earlier.

In addition, no improvement was seen in the length of the average factory workweek or in industrial electric power sales. Both of these measures declined in the fourth quarter after seasonal adjustment.

Nevertheless, the Lancaster area economy has survived the recession relatively well compared to other metropolitan areas in the state. Although the area's average total nonfarm industry job level was down 2.7 percent in 1982 from its 1981 level, only the Harrisburg and Philadelphia metropolitan areas had smaller drops. In addition, only the Harrisburg area had an average monthly unemployment rate in 1982 lower than Lancaster's 7.5 percent.

Philadelphia Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	2,023.7	107	107	106
Unemployed, no. of residents	138.2	111	100	103
Civilian labor force, no. of residents	2,211.9	107	107	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	1,891.1	103	103	104
Nonmfg. only, no. of jobs	1,501.2	108	107	108
Mfg. only, no. of jobs	389.5	87	89	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	97	97	99
Industrial electric power sales				
Metropolitan area	***	96	94	99
Chester	***	95	89	96
Philadelphia	***	96	94	100

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only residents	135.9	−28.8	− 8.6
Nonresidential bldg. contracts only	147.4	−28.1	−39.6

[1] Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Pa.; Burlington, Camden and Gloucester counties, N.J.

Philadelphia

The Philadelphia area economy has weathered the recession relatively well compared to other metropolitan areas in the state. The average nonfarm industry job level fell 2.1 percent in 1982 from a year earlier; only the Harrisburg area had a lower percentage drop in these jobs.

Nevertheless, recovery remained elusive in the fourth quarter of last year. The number of jobless residents rose to

	Altoona		Erie		Harrisburg		Johnstown	
	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982
Local Industries								
No. of wage and salaried jobs *(thous.)*								
All nonfarm industries	48.0	-3.8	105.6	-4.8	224.5	-0.5	77.0	-7.1
Manufacturing	11.2	-11.1	38.5	-6.1	40.3	-3.8	14.4	-15.3
Durable goods	5.3	-10.2	29.2	-7.3	18.7	-8.8	8.3	-25.9
Nondurable goods	6.6	-1.5	9.2	-3.2	21.5	+0.5	6.1	+5.2
Nonmanufacturing	36.1	-3.2	67.1	-3.5	184.2	+0.3	62.5	-3.7
Ave. wkly. hours worked by production workers								
Manufacturing	38.6	+0.3	40.0	-2.7	38.7	-3.0	35.2	-5.6
Durable goods	39.3	+0.3	39.3	-3.9	38.9	-5.4	36.3	-5.2
Nondurable goods	37.7	-0.5	42.0	-0.2	38.5	-1.3	33.7	-5.1
Industrial electric power sales index (1977 = 100)	82	-14.4	81	-22.7	87	-18.6	105	+1.6
Construction contracts awarded *(mil. dols.)*								
Residential buildings	1.5	+50.0	2.8	+33.3	5.4	+12.5	2.7	-6.9
Nonresidential buildings	1.8	+20.0	1.9	-57.8	6.4	-29.7	2.1	+31.2
Employment of Residents								
Employed, no of persons *(thous.)*	50.2	-2.5	109.4	-3.4	223.9	+0.7	88.0	-5.9
Unemployed								
No. of persons *(thous.)*	7.5	+7.1	15.8	+27.4	15.6	+10.6	18.1	+30.2
Rate *(percentage of labor force)*	13.0		12.6		6.5		17.1	
Civilian labor force, no. of persons *(thous.)*	57.7	-1.4	125.2	-0.4	239.5	+1.2	106.1	-1.2

*Average of monthly figures.

9.0 percent of the labor force in November and December after having fallen to 8.0 percent in June from January's high of 9.3 percent.

Total employment remained essentially unchanged after seasonal adjustment from a quarter earlier as did the overall job level in nonfarm industries. Although further job losses were experienced in the area's manufacturing sector, the nonmanufacturing sector gained jobs in the October-December quarter.

In addition, the construction industry remained weak with contract awards down considerably from levels both a quarter and a year earlier.

Some firming up in the area's economy was evidenced as industrial electric power sales rose and the average factory workweek lengthened somewhat. With relatively high average weekly hours worked in the area's factories and with unemployment well below the rest of the state, the Philadelphia metropolitan area appears to be ready for solid economic expansion and is just waiting for the right signals.

Reading

The prospect of an early recovery in the Reading metropolitan area economy was dashed again by its performance in the fourth quarter of 1982. After some mid-year improvement, total employment was back down to its first quarter level, and the area's seasonally adjusted unemployment rate jumped to 11.4 percent in the final month of the year.

The manufacturing job level was down another 1.8 percent from the third quarter level. More than 70 percent of these losses were in the durable goods industries, with the primary metals group losing the greatest number of jobs.

The area's nonmanufacturing sector gained jobs last quarter, but the gain was only as large as normally expected at that time of year. Employment increased in trade, services, and government and decreased in contract construction, and transportation and public utilities.

Reading Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	144.5	106	108	109
Unemployed, no. of residents	16.1	208	163	166
Civilian labor force, no. of residents	160.6	112	112	113
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	134.4	101	102	106
Nonmfg. only, no. of jobs	84.8	104	104	107
Mfg. only, no. of jobs	49.5	96	99	104
Hrs. worked by production workers in mfg., *ave. weekly*	38.2	97	96	100
Industrial electric power sales	***	94	95	113

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	10.1	+ 9.8	− 9.0
Nonresidential bldg. contracts only	11.8	+202.6	+20.4

[1] Berks County

However, the slowdown in economic activity in the fourth quarter was not as severe as the downturn in the third quarter of the year. Some leveling off was seen in the average length of the factory workweek and in sales of electricity to industrial users, a measure of short-run changes in industrial output. In addition, the value of construction contracts awarded picked up in the fourth quarter from a quarter earlier.

Overall, the Reading economy has held out well during the recession. The percentage decline in the average monthly level of nonfarm industry jobs in 1982 was one of the smallest among the state's metropolitan areas. Only the Harrisburg and State College area had smaller percentage drops in factory jobs than Reading's 4.7 percent drop.

	Lancaster		Lehigh Valley		Northeast PA		Philadelphia	
	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982
Local Industries								
No. of wage and salaried jobs *(thous.)*								
All nonfarm industries	149.9	-2.7	252.4	-4.6	231.1	-3.3	1889.1	-2.1
Manufacturing	55.7	-6.2	94.5	-9.3	63.4	-7.6	401.2	-6.8
Durable goods	33.0	-7.8	45.9	-15.2	25.7	-8.5	211.6	-8.4
Nondurable goods	22.7	-3.8	48.6	-3.0	37.7	-7.1	189.6	-5.0
Nonmanufacturing	94.1	-0.6	157.8	-1.4	167.5	-1.6	1486.6	-0.5
Ave. wkly. hours worked by production workers								
Manufacturing	38.2	-2.6	37.7	-2.3	36.8	+0.3	38.8	-3.0
Durable goods	39.0	-1.3	40.4	-1.7	41.2	+2.7	39.8	-2.5
Nondurable goods	37.3	-3.6	35.4	-2.2	34.2	-1.2	37.8	-3.1
Industrial electric power sales index (1977 = 100)	94	-5.8	92	-6.3	97	-3.3	95	-4.6
Construction contracts awarded *(mil. dols.)*								
Residential buildings	5.1	-7.3	7.8	-10.3	5.7	+11.8	45.5	-12.5
Nonresidential buildings	3.6	+9.1	9.0	-15.1	4.8	-4.0	60.4	-22.4
Employment of Residents								
Employed, no of persons *(thous.)*	171.8	-1.3	277.2	-3.5	254.6	-2.0	1996.5	-1.2
Unemployed								
No. of persons *(thous.)*	13.9	+36.3	33.7	+29.1	32.3	+10.2	189.0	+14.8
Rate *(percentage of labor force)*	7.5		10.8		11.2		8.6	
Civilian labor force, no. of persons *(thous.)*	185.7	+0.8	310.8	-0.9	286.9	-0.7	2185.5	0

*Average of monthly figures.

York

The anticipated turnaround in the York area economy failed to materialize last quarter; all of our indicators for this area were down in the fourth quarter of 1982 from third quarter levels. However, because normal seasonal increases did not take place, most of the downturn can be attributed to seasonal adjustments of the data.

Among our indicators, only industrial electric power sales did not drop from levels a quarter earlier. This measure, which had fallen in the previous four quarters, was unchanged from the third quarter level. It has not been so low since the end of the 1974-75 recession.

The small gains in employment registered in the second and third quarters of 1982 were lost in the final quarter. Nevertheless, the average number of jobless residents did not increase. But, because this measure usually declines in the October-December quarter, the seasonally adjusted unemployment rate jumped to 12.0 percent.

The job losses were concentrated in the manufacturing sector. Another 3.5 percent of factory jobs were lost last quarter, bringing the total loss since the beginning of the recession to 13.3 percent.

There was a slight gain in the number of wage and salaried jobs in the nonmanufacturing sector. But, the increase was less than the normal seasonal gain expected in the fourth quarter, and therefore the seasonally adjusted index for this measure also declined.

Finally, the average workweek in York's factories remained at the third quarter level in the fourth quarter. But, again, because expected increases in this period did not occur, the seasonally adjusted index fell.

The length of the factory workweek was the second highest among the state's metropolitan areas, behind only Erie's. Because of the high level, any sizeable increase in the production in the area's factories would have to be accompanied by rising employment.

York Area[1]

	Ave. mo. value 4 Q.'82	Averag3 monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	162.6	109	111	112
Unemployed, no. of residents	20.6	235	203	161
Civilian labor force, no. of residents	183.2	117	117	115
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	148.9	102	105	110
Nonmfg. only, no. of jobs	89.8	108	109	110
Mfg. only, no. of jobs	57.1	95	100	109
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	96	98	98
Industrial electric power sales	***	88	88	104

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	13.8	−53.4	+40.8
Nonresidential bldg. contracts only	9.7	−27.1	−32.6

[1] Adams and York counties

Northeastern Quarter

Lehigh

The Lehigh Valley area economy finished 1982 with another bad quarter. Total employment fell another 2.4 percent from the quarter earlier while the seasonally adjusted unemployment rate rose to 12.1 percent. The total industry job level has not been so low since the third quarter of 1972.

Both the manufacturing and the nonmanufacturing sectors lost jobs last quarter. The area's manufacturing sector, which is one of the largest in the state accounting for two out of every five jobs in the area, lost another 2,100 positions. This brings the factory job loss to 16 percent of the July 1981

	Pittsburgh 1982*	Pittsburgh Percentage Change 1981-1982	Reading 1982*	Reading Percentage Change 1981-1982	Sharon 1982*	Sharon Percentage Change 1981-1982	State College 1982*	State College Percentage Change 1981-1982
Local Industries								
No. of wage and salaried jobs *(thous.)*								
All nonfarm industries	879.8	-6.7	135.3	-2.9	43.0	-8.1	42.6	-2.7
Manufacturing	192.2	-18.8	50.7	-4.7	13.2	-18.5	6.8	-1.4
Durable goods	151.4	-22.0	29.2	-5.8	12.2	-19.2	5.3	-1.9
Nondurable goods	40.9	-4.2	21.6	-2.7	1.0	-9.1	1.5	0
Nonmanufacturing	685.0	-2.7	84.5	-1.7	29.8	-2.6	35.8	-2.2
Ave. wkly. hours worked by production workers								
Manufacturing	38.2	-5.4	38.0	-4.3				
Durable goods	38.0	-6.4	38.7	-4.9				
Nondurable goods	38.9	-0.8	37.2	-2.6				
Industrial electric power sales index (1977 = 100)	69	-34.3	100	-11.9	91	-20.8	89	-7.0
Construction contracts awarded *(mil. dols.)*								
Residential buildings	23.5	-1.7	3.0	-11.8	0.9	-50.0	1.7	-5.6
Nonresidential buildings	44.4	-2.2	2.4	-14.3	4.8	+166.7	1.1	+22.2
Employment of Residents								
Employed, no of persons *(thous.)*	906.5	-5.5	143.8	-1.8	47.4	-6.9	43.0	-1.1
Unemployed								
No. of persons *(thous.)*	127.3	+66.6	15.8	+22.5	9.0	+87.5	3.9	+21.9
Rate *(percentage of labor force)*	12.3		9.9		16.0		8.3	
Civilian labor force, no. of persons *(thous.)*	1033.7	-0.2	159.6	+0.2	56.4	+1.3	46.9	+0.6

*Average of monthly figures.

Lehigh Valley Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'32	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	274.8	100	103	104
Unemployed, no. of residents	36.8	186	157	140
Civilian labor force, no. of residents	311.6	106	107	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	247.4	96	98	102
Nonmfg. only, no. of jobs	157.7	105	107	108
Mfg. only, no. of jobs	89.7	83	85	95
Hrs. worked by production workers in mfg., *ave. weekly*	37.2	97	98	101
Industrial electric power sales				
Metropolitan area	***	94	96	105
Allentown	***	96	95	98
Bethlehem	***	87	96	108
Easton	***	118	108	112

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	34.9	+27.8	+77.2
Nonresidential bldg. contracts only ...	32.3	+64.0	−11.7

[1] Lehigh, Northampton and Carbon counties, Pa.; Warren County, N.J.

level. The primary and fabricated metals industry group lost the largest number of jobs.

At the same time, the nonmanufacturing sector lost 0.5 percent of jobs from the previous quarter, bringing the total job loss in the sector since the beginning of the recession to 1.9 percent. Construction and trade were the big job losers in this sector.

The average length of the factory workweek also fell last quarter to 37.2 hours from 37.6 hours in the quarter earlier. In December, the workweek was still relatively long in the area's durable goods industries at an average 40.8 hours but was considerably shorter in the nondurable goods industries at an average 35.1 hours.

Sales of electricity to industrial users in the area, which reflect short-run changes in industrial production, show that within the area, the city of Bethlehem with its steel mills was the worst hit last quarter. While industrial electric power sales fell significantly in Bethlehem, they rose slightly in Allentown and rose sizably in Easton.

Northeast

The economy of the Northeast metropolitan area stabilized last quarter. Only the normal seasonal declines took place in the industry job level while changes in total employment, the average length of the factory workweek, and industrial electric power sales were small.

Although the area's economy has undergone considerable contraction during the recession, it had the eighth highest percentage decline in total industry jobs and the eighth highest unemployment rate among the state's 14 major metropolitan areas.

The seasonally adjusted unemployment rate for the Northeast area was 11.7 percent in the final quarter of 1982. Luzerne County had a 12.4 percent unemployment rate compared to Lackawanna County's 10.8 percent.

Both the metropolitan area's durable goods and its nondurable goods manufacturing industries have lost a considerable number of jobs during the recession. But, because the average length of the factory workweek is so high in the durable goods industry, employment in these factories is more likely to turn up in response to an increase in demand.

The average monthly job level in the area's durable goods industries fell 8.5 percent in 1982 from the 1981 level. This was the ninth largest decline among the state's major metropolitan areas. While the decline in the nondurable goods industries at 7.1 percent was not as severe, it was the second largest among the metropolitan areas. Only Sharon had a greater percentage drop.

Furthermore, in the fourth quarter of 1982, the average

	Williamsport		York	
	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982
Local Industries				
No. of wage and salaried jobs *(thous.)*				
All nonfarm industries	45.0	-3.0	150.3	-3.6
Manufacturing	15.1	-5.6	60.6	-7.6
Durable goods	9.3	-8.8	37.6	-9.0
Nondurable goods	5.8	0	22.4	-5.1
Nonmanufacturing	29.9	-1.6	89.8	-1.2
Ave. wkly. hours worked by production workers				
Manufacturing	39.3	-0.8	40.0	-2.0
Durable goods	39.7	-1.2	40.6	-2.4
Nondurable goods	38.6	+0.3	39.0	-1.5
Industrial electric power sales index (1977 = 100)	92	-6.6	90	-13.8
Construction contracts awarded *(mil. dols.)*				
Residential buildings	0.5	-44.4	5.4	+20.0
Nonresidential buildings	0.5	-44.4	4.3	-15.7
Employment of Residents				
Employed, no of persons *(thous.)*	46.5	-1.7	162.0	-2.2
Unemployed				
No. of persons *(thous.)*	6.6	+1.5	20.1	+42.6
Rate *(percentage of labor force)*	12.5		11.0	
Civilian labor force, no. of persons *(thous.)*	53.1	-1.3	182.1	+1.3

*Average of monthly figures.

Northeast Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents				
Northeast metropolitan area	255.0	103	104	104
Lackawanna County[2] only	90.8	100	100	101
Luzerne County[3] only	136.6	102	103	104
Unemployed, no. of residents				
Northeast metropolitan area	33.6	128	114	117
Lackawanna County[2] only	10.7	116	101	105
Luzerne County[3] only	19.5	130	121	123
Civilian labor force, no. of residents				
Northeast metropolitan area	288.6	106	105	106
Lackawanna County[2] only	101.4	101	100	101
Luzerne County[3] only	156.1	105	105	106
Local industries, Northeast metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	228.5	98	98	102
Nonmfg. only, no. of jobs	167.0	103	103	105
Mfg. only, no. of jobs	61.2	87	86	96
Hrs. worked by production workers in mfg., *ave. weekly*	36.6	101	102	103
Industrial electric power sales				
Northeast metropolitan area	***	94	95	102
Lackawanna County[2] only	***	95	96	101
Luzerne County[3] only	***	90	90	98
Hazleton	***	85	86	91
Wilkes-Barre	***	86	86	91

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	23.0	+44.7	+75.6
Nonresidential bldg. contracts only	8.2	−83.0	−41.8

[1] Lackawanna, Luzerne and Monroe counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton

length of the factory workweek in the Northeast area's durable goods industries at 41.4 hours was the highest among the metropolitan areas while the area's nondurable goods industries had the second shortest workweek at 33.8 hours, shorter only than Johnstown's 33.3 hours.

Williamsport

While the Williamsport area economy entered 1982 having held out well during the first six months of the recession, it ended the year on quite a different note. Factory job levels fell precipitously and unemployment soared.

The level of factory jobs had increased 2.6 percent to 16,200 jobs from July 1981 at the beginning of the recession to January 1982. This level was maintained throughout the first quarter of 1982, but, beginning in April, it began to decline and stood at 13,[illegible]00 jobs in December. This is a 16.9 percent drop from first quarter's level.

The job losses were concentrated in the durable goods industries. The level of wage and salaried jobs in the nondurable goods industries were virtually unchanged in December of 1982 from levels a year earlier.

The job level in the area's nonmanufacturing sector has also been stable throughout the recession. No major industry group within this sector has experienced a substantial contraction, but neither has there been any significant growth in the sector.

Williamsport Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	46.3	100	101	102
Unemployed, no. of residents	7.3	166	133	137
Civilian labor force, no. of residents	53.6	106	104	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salarieb jobs	44.3	95	96	100
Nonmfg. only, no. of jobs	30.2	106	106	107
Mfg. only, no. of jobs	14.1	78	82	91
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	99	102	102
Industrial electric power sales	***	88	91	98

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	2.0	0	−54.5
Nonresidential bldg. contracts only	0.1	−98.3	−98.9

[1] Lycoming County

Other economic indicators, including sales of electricity to industrial users and the average length of the factory workweek, also showed a considerable slowing of economic activity in the area during the second half of 1982. Industrial electric power sales were at their lowest level last quarter since the second quarter of 1975.

Although the average length of the factory workweek fell significantly in the fourth quarter, it remained at a relatively high level. Thus, employment may pick up soon after a rise in demand for the area's products takes place.

Currently, however, the employment picture is very bad. The seasonally adjusted unemployment rate for the area, which has been in double digits since August 1979, soared to 17.6 percent in December and would have been even higher had the civilian labor force not expanded by 800 persons that month.

Northwestern Quarter

Erie

The year ended on a down note for the Erie metropolitan area. In the final quarter of the year, the area's factory job level experienced its largest quarterly drop since the beginning of the recession, falling 5.6 percent to 36,200 jobs.

Another indicator of industrial activity, industrial electric power sales, also plunged in the fourth quarter after having increased slightly from the second to the third quarters. The seasonally adjusted index for this measure stood at 75 (1977 = 100) in the fourth quarter, down from 84 in the third quarter.

At the same time, nonmanufacturing jobs increased by 700 last quarter from a quarter earlier. However, the 1982 average monthly job level in these industries was down 3.5 percent from the 1981 level. This was the second largest decline in this sector among the state's major metropolitan areas.

In contrast, Erie's 6.1 percent decline in its average monthly factory job level was the 10th largest among the 14 metropolitan areas.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'82	4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	108.7	98	101	102
Unemployed, no. of residents	18.8	214	167	138
Civilian labor force, no. of residents	127.5	107	106	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	103.7	93	95	99
Nonmfg. only, no. of jobs	67.6	99	99	102
Mfg. only, no. of jobs	36.2	84	90	95
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	97	96	100
Industrial electric power sales	***	75	84	105

Construction contracts awarded *(in millions of dollars)*	Total 4Q.82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	4.5	−74.9	−4.3
Nonresidential bldg. contracts only	5.1	+ 8.5	−63.3

[1] Erie County

Total employment dropped to 108,700 workers, erasing the gains in the previous quarter. In addition, the seasonally adjusted unemployment soared to 17.0 percent at year's end. Only Johnstown, Sharon, and Williamsport among the state's major metropolitan areas registered higher rates in December.

Sharon

Last year, the Sharon metropolitan area lost a greater percentage of its total industry jobs than any other metropolitan area in the state. Virtually all of these losses came from the durable goods sector, and many occurred from permanent plant closings.

In 1981, over 32 percent of all nonfarm industry jobs in the area were provided by durable goods industries; in December 1982, less than one-quarter of the area's jobs were in these industries. Half of the job cuts were from the primary metals industries while most of the rest were from manufacturers of non-electrical and transportation equipment.

The contraction in the durable goods industries has had a considerable impact on other sectors of the economy. Declines were experienced in most of the area's nonmanufacturing industries over the year, including transportation and public utilities and contract construction.

However, while employment in the manufacturing sector continued to decline through the end of the year, employment in the nonmanufacturing sector leveled off. Among the major industry groups in this sector, only construction continued to experience declines in the number of wage and salaried jobs from November to December. Job levels in most of the other major industry groups remained steady. Wholesale and retail trade employment increased slightly, but most of this increase is attributable to normal seasonal increases over the Christmas holiday.

Average monthly sales of electricity to industrial users, which reflect short-run changes in total industrial output, was more than 20 percent below the 1981 average last year. But, they also appear to have leveled off in the fourth quarter of 1982.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'82	4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	45.5	95	99	105
Unemployed, no. of residents	10.2	255	211	145
Civilian labor force, no. of residents	55.6	107	108	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	40.6	90	94	103
Nonmfg. only, no. of jobs	29.6	102	102	106
Mfg. only, no. of jobs	11.0	68	78	96
Industrial electric power sales	***	93	86	108

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	3.0	− 6.2	−37.5
Nonresidential bldg. contracts only	0.7	−81.6	−93.7

[1] Mercer County

Southwestern Quarter

Altoona

Economic conditions continued to worsen in the Altoona metropolitan area during the final quarter of 1982. There were fewer jobs and more jobless residents as the level of economic activity by one measure fell to less than three-fourths of its 1977 level.

Job levels were down in both the manufacturing and nonmanufacturing sectors last quarter. Only the five major steel centers in the state lost greater percentages of factory jobs on average over 1982 than did the Altoona area, and only Johnstown and Erie lost greater percentages of total nonmanufacturing jobs.

The factory job level at 11,200 jobs in the fouth quarter was at its lowest level since first quarter 1961. At the same time, the nonmanufacturing job level, which has been declining gradually since third quarter 1978, was at its lowest level in a decade.

Unemployment shot up to record levels. In the fourth quarter, the average seasonally adjusted unemployment rate was 14.8 percent, the highest quarterly rate in the twelve years for which comparable data exist. Furthermore, with the length of the average workweek relatively low, any increase in output in the area's manufacturing industries would not immediately lead to rehiring laid-off personnel. Thus, the high levels of unemployment experienced in the area over the past two and a half years will persist for a while longer.

Sales of electricity to industrial users in the area fell more than 26 percent from the third quarter of 1981 to the fourth quarter last year. This measure, which reflects short-run changes in industrial activity, shows production in the area's industries to be way below capacity.

The only good news for the Altoona area came from the value of construction contracts awarded, which were up last quarter for both residential and nonresidential buildings.

Altoona Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	49.3	96	99	99
Unemployed, no. of residents	8.6	216	166	179
Civilian labor force, no. of residents	57.9	104	104	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	46.5	90	94	96
Nonmfg. only, no. of jobs	35.2	92	94	96
Mfg. only, no. of jobs	11.2	85	81	95
Hrs. worked by production workers in mfg., *ave. weekly*	37.5	100	102	102
Industrial electric power sales	***	73	79	98

Construction contracts awarded *(in millions of dollars)*	Total 4Q'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	4.4	+46.7	+ 76.0
Nonresidential bldg. contracts only	9.9	+30.3	+102.0

[1] Blair County

Johnstown Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	84.8	87	91	95
Unemployed, no. of residents	22.0	213	166	140
Civilian labor force, no. of residents	106.7	100	99	99
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	73.3	82	86	92
Nonmfg. only, no. of jobs	60.4	90	93	98
Mfg. only, no. of jobs	12.7	60	68	76
Hrs. worked by production workers in mfg., *ave. weekly*	34.7	89	88	94
Industrial electric power sales	***	72	101	120

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	8.1	−22.9	+9.5
Nonresidential bldg. contracts only	5.1	−65.5	−1.9

[1] Cambria and Somerset counties

Pittsburgh Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	891.1	98	100	105
Unemployed, no. of residents	150.8	250	216	135
Civilian labor force, no. of residents	1,041.9	108	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	852.8	93	94	102
Nonmfg. only, no. of jobs	681.0	102	102	107
Mfg. only, no. of jobs	170.8	69	74	92
Hrs. worked by production workers in mfg., *ave. weekly*	37.8	93	92	98
Industrial electric power sales	***	56	60	99

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	55.7	−15.9	−16.7
Nonresidential bldg. contracts only	170.6	+90.8	+53.8

[1] Allegheny, Beaver, Washington and Westmoreland counties

Johnstown

Johnstown's economy plunged further in the final quarter of last year. A staggering 22.7 percent of the area's labor force was unemployed in December. This was the highest rate among the nation's 211 metropolitan areas reporting data for that month.

Among the state's major metropolitan areas, only the Sharon area had lost a larger percentage of total nonfarm industry jobs over the year than did Johnstown. The average job level in the area's manufacturing industries in 1982 was down almost 26 percent from the previous year. At year's end, the factory job level was only 60 percent of the 1977 level.

In addition, many workers still employed were working fewer hours. The average length of the factory workweek was 36.3 hours in the area's durable goods industries and an astounding 33.3 hours in the nondurable goods industries. These low averages allow employers considerable room to increase production by increasing hours worked of employees still on the job before taking the more costly step in hiring back laid-off workers. Thus, unemployment will remain at depression levels in the months ahead.

The extremely low levels of industrial electric power sales reflect the first full quarter during which Bethlehem Steel Corporation's new electric furnace has been out of operation since its installation was completed in September 1981. News of the Corporation's decision to restart the furnace and to continue operations, though at a reduced level, was good news to area residents, who had feared a complete, permanent closing of the steel mill.

Pittsburgh

At year end, the Pittsburgh economy was still reeling from the depression in the steel industry. Among the nation's standard metropolitan statistical areas with more than 1 million persons in the civilian labor force, only Detroit had an unemployment rate higher than the Pittsburgh area. The seasonally adjusted rate in December was 15.5 percent in Pittsburgh compared to 17.7 percent in Detroit.

Among Pennsylvania's metropolitan areas, only Johnstown and Sharon had greater percentage declines in total employment and total nonfarm industry job levels last year than did the Pittsburgh area. The area has had the largest drop in the number of manufacturing industry jobs and one of the largest in the number of nonmanufacturing industry jobs. Most of the factory job losses were from the steel industry. Other industries losing a substantial number of jobs in the fourth quarter were construction and retail trade.

Job gains are not expected in the near future because the length of the average workweek is extremely low. Employers have considerable room to increase production by increasing hours worked before taking the more costly step of hiring back laid-off employees.

However, the workweek did lengthen at year's end in both durable goods and nondurable goods industries. But industrial activity, as measured by sales of electricity to industrial users, continued to slow. December's seasonally adjusted sales were less than half what they were in July 1981 at the start of the current recession.

At the same time, the construction boom in commercial buildings continued undaunted in the fourth quarter, with

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contract awards up more than 90 percent from a quarter earlier. Although the value of awards for nonresidential buildings in 1982 was down 2.2 percent from 1981's level, it remained at a fairly high level historically.

State College

Both total employment and unemployment rose to record levels in the State College area last quarter as the labor force swelled by 3,500 persons.

Total nonfarm industry jobs were back up to second quarter levels in the final quarter of 1982. The large drop in the job level during the July-September quarter came from normal university and university-related employment declines during these months.

However, the area's manufacturing sector continued to cut jobs in the fourth quarter. The job level in these industries was at its lowest point since second quarter 1977. Nevertheless, the percentage drop in the area's average monthly factory job level in 1982 was the smallest among the state's major metropolitan areas.

Industrial electric power sales in the area did not lose any further ground in the fourth quarter of last year while construction contracts for nonresidential buildings rose almost 300 percent from a quarter earlier.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'82	4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	44.6	112	106	110
Unemployed, no. of residents	4.3	194	169	146
Civilian labor force, no. of residents	48.9	116	110	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	43.8	106	99	107
Nonmfg. only, no. of jobs	37.3	107	98	106
Mfg. only, no. of jobs	6.5	101	106	111
Industrial electric power sales	***	84	85	95

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	4.9	− 15.5	− 15.5
Nonresidential bldg. contracts only	5.5	+292.9	+323.1

[1] Centre County

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The Competitive Position of Pennsylvania — see page 4

Recovery Eludes State

National indicators in January supported the view that a recovery from the recession began in the fourth quarter of last year. However, state indicators showed the recovery continued to elude Pennsylvania. The employment situation continued to worsen, initial claims for unemployment compensation rose, and production declined further in major industries, such as mining and construction.

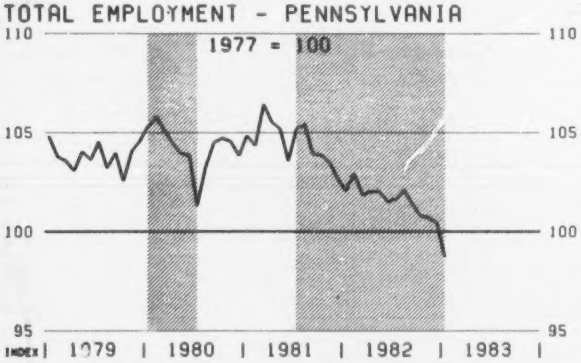
Nevertheless, the news was not all bad. Many of the declines in job levels were smaller than they had been in the previous months, and the steel industry picked up a little momentum.

A total of 4,603,000 Pennsylvanians were employed in January. This represents a drop of 220,000 workers, the largest monthly drop since July 1980. The jobless ranks swelled by 113,000 workers and another 107,000 workers left the work force. The seasonally adjusted unemployment rate rose a whole percentage point to 13.6 percent.

Initial claims for unemployment compensation benefits also rose. The seasonally adjusted index for this measure had fallen in the previous two months. Declines in the national level of initial claims usually precede economic recovery by a few months. Thus, the state's level of first claims in January was disappointing news.

Although the major indicators for the manufacturing sector were still on a downturn in January, the declines were among the smallest since the beginning of the recession. The drop in the seasonally adjusted level of factory jobs was the smallest among the 16 months of declines in the previous 17 months. The level of factory jobs increased slightly in August 1982.

Both the durable goods and nondurable goods industries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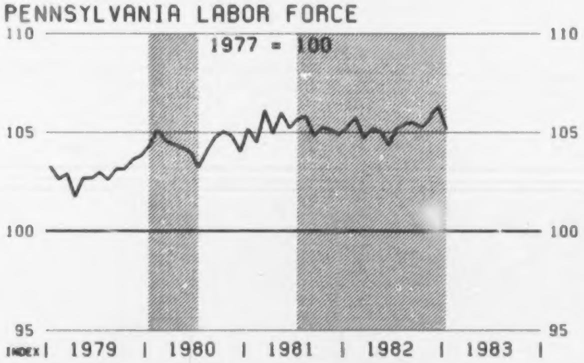
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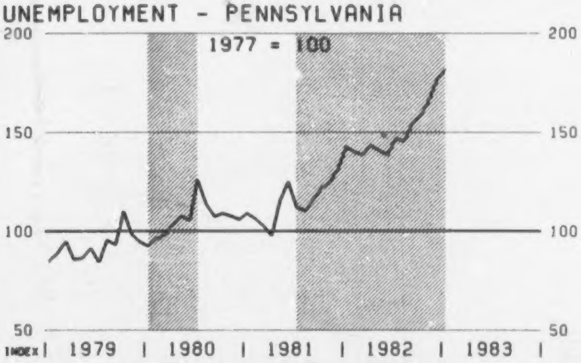
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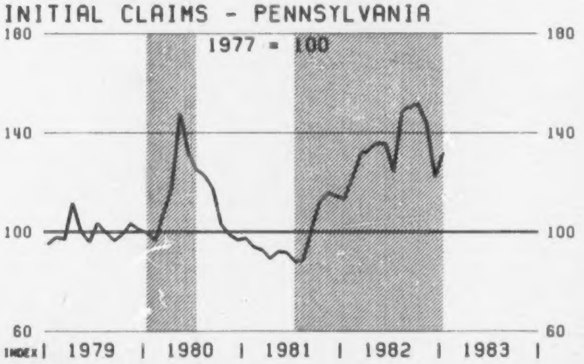
INITIAL CLAIMS - PENNSYLVANIA

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College of Business Administration The Pennsylvania State University **March 1983**

lost jobs in January, but the decline in the durable goods industries was less than the usual seasonal drop.

One major durable goods industry group—the primary metals group—gained 1,900 jobs in January. In addition, the factory work week for this industry group rose to 38.0 hours in January from 37.6 hours in December. These figures are encouraging because the primary metals industry group has been one of the hardest hit groups in this recession.

All of the job gains in the primary metals group came from the steel industry. Steel production in the state rose to 742,000 tons in January from the record low of 587,000 tons in the previous month. However, January's production level was only half the level of a year ago and a third of the average level in 1977. Pennsylvania's share of total U.S. steel production was roughly unchanged from a month earlier at 13.3 percent.

There was also little change in total weekly payrolls, total weekly hours worked, and average weekly hours worked in all manufacturing industries. All three indicators declined slightly but less than the normal seasonal amounts for the first of the year. As a result, the seasonally adjusted indexes for these measures all rose. Average weekly hours worked remained at levels below the lowest reached at the end of the 1973-75 recession.

The level of jobs in all nonmanufacturing industries also fell in January. However, because of already low levels of employment and less than usual seasonal hirings over the Christmas holidays, the declines in many of the major nonmanufacturing industry groups were less than those usually experienced in the first month of the year. Less than seasonal declines took place in construction, transportation, wholesale and retail trade, services, and state and local government. The number of mining jobs increased slightly while there was a small decline in federal government

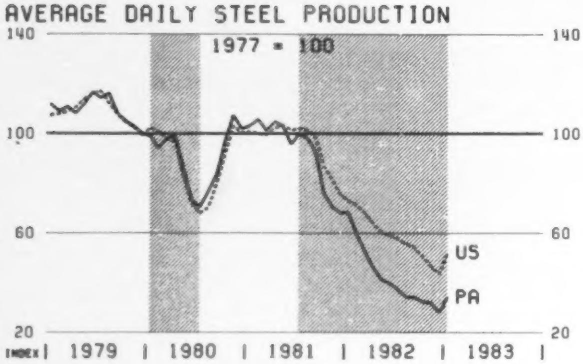
Economic Activity in Pennsylvania				Seasonally Adjusted Indexes (1977 = 100.)		
	1982-83		1982	1982-83		1982
	Dec.	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,479	4,395	4,581	97.2	97.8	101.9
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,384	3,310	3,343	104.0	105.0	106.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,092	1,081	1,232	81.3	81.2	92.5
Ave. wkly. hrs. worked by prod. workers	38.6	38.2	38.1	96.9	97.0	96.9
Total wkly. person-hours worked (mils.)	28.1	27.8	32.9	73.1	73.3	86.7
Total wkly. payroll (mil. dols.)	248.4	245.4	281.6	109.0	110.1	126.4
Steel production (thous. tons)	587	742	1,480	28	34	69
Industrial electric power sales (mil. kwh)	2,999	3,127	3,623	83	83	98
Mining						
Anthracite coal (thous. net tons)	353	323	353	74	73	81
Bituminous coal (thous. net tons)	5,394	4,854	5,912	72	74	91
Construction contracts awarded (mil. dols.)						
Total	306.3	208.3	296.3*	110	101	120*
Residential building	108.8	92.8	39.7*	92	126	53*
Other building	142.4	78.8	160.0*	150	102	197*
Nonbuilding (utilities and public works)	55.1	36.7	96.6*	86	53	137*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,823	4,603	4,777	100.4	98.7	102.0
Unemployed						
No. of persons (thous.)	691	804	641	176.8	181.9	142.7
Rate (percentage of labor force)	12.5	14.9	11.8	—	—	—
Rate, seasonally adjusted	12.6	13.6	10.7	—	—	—
Civilian labor force, no. of persons (thous.)	5,514	5,407	5,418	106.3	105.1	105.2
Initial claims for unemployment benefits	253,225	265,627	225,287	122.1	132.0	113.4

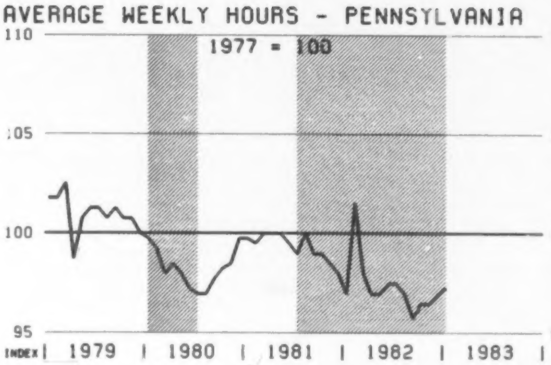
	Urban Indexes (1967 = 100.)			Percentage Change	
	1982-83		1982	*Month*	*Year*
Consumer Prices, all items	*Dec.*	*Jan.*	*Jan.*	*Ago*	*Ago*
U.S. city average	292.4	293.1	282.5	+0.2	+3.8
Philadelphia	281.6	282.1	275.7	+0.2	+2.3
Pittsburgh	302.1	n.a.	273.3†	n.a.	+7.2
Northeast PA	n.a.	278.9	272.5	n.a.	+2.3

Notes: Data on employment have been revised to first quarter 1982 benchmarks.

* = figure revised † = figure for December 1981 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST





positions. Finally, the job levels in public utilities and finance, insurance, and real estate were unchanged from a month earlier.

The construction industry in Pennsylvania failed to pick up in January. The value of total construction contracts awarded in the state declined from December levels as did all of its major components. But while the decline in nonresidential building contracts exceeded the usual seasonal decline, residential and nonbuilding contracts declined less than normal for the time of year.

The amount of both anthracite and bituminous coal mined in January fell after having risen in the previous month. However, the drop in the production of bituminous coal was less than the usual seasonal drop.

Finally, no further declines in industrial electric power sales took place in January. The level of sales actually increased, but the increase was only as much as usually expected at this time of year. Sales remained at their lowest level in over a decade.

The Nation

Although the state's economy continues to flounder, the national economy is clearly on the mend. Recent indicators show that the longest and most pervasive recession since the Depression ended for the nation as a whole in November or December and that in January the nation's economy was expanding at a quicker pace than most analysts had predicted.

The Federal Reserve Board's index of industrial production rose 1.3 percent in January—the biggest gain in nearly a year. Output rose in every category, except business equipment. The biggest gainers were autos, construction supplies, defense and space equipment, and steel and other basic metals.

The increased production was accompanied by a decline in unemployment, an increase in the total number of nonfarm industry jobs, and a 1 percent rise in wages and salaries.

However, the strength the economy showed in January could be misleading. The construction industry, which was registering record rebounds in December and January, was bolstered by better-than-normal weather. Furthermore, much of the increase in production resulted from a one-time switch from the massive inventory liquidation experienced in the fourth quarter of 1982 to inventory stability.

To generate further production increases, sales must increase. But they remained sluggish in January. Retail sales dropped 0.5 percent that month. Much of this sluggishness was due to auto sales, which have not maintained their November upsurge even though cut-rate financing has continued. If auto sales are excluded, retail activity in January was a bit more encouraging, advancing 0.2 percent. But, the lackluster sales coupled with bad weather in many parts of the country in February indicate a somewhat weaker recovery.

Nevertheless, the consumer's financial position continues to improve. Most notably, inflation in continuing to ease on all fronts. The producer price index decline of 1 percent in January was the largest monthly drop in this measure since it was first calculated 36 years ago. In addition, consumer prices rose a scant, seasonally adjusted 0.2 percent, equal to a 2.4 percent annual rate. The small rise was due in a large part to declining energy costs.

The continued easing of inflation, especially the prospect of further decreases in oil and gasoline prices, could change inflation expectations, which have been preventing long-term real interest rates from falling. Low long-term real rates are vital to maintaining the expansion. Consumers can get the recovery started and sustain it for a while, but capital investment is needed to keep the economy moving. Right now, the stubbornly high rates are preventing businesses from investing.

– Norma Gavin Pappas

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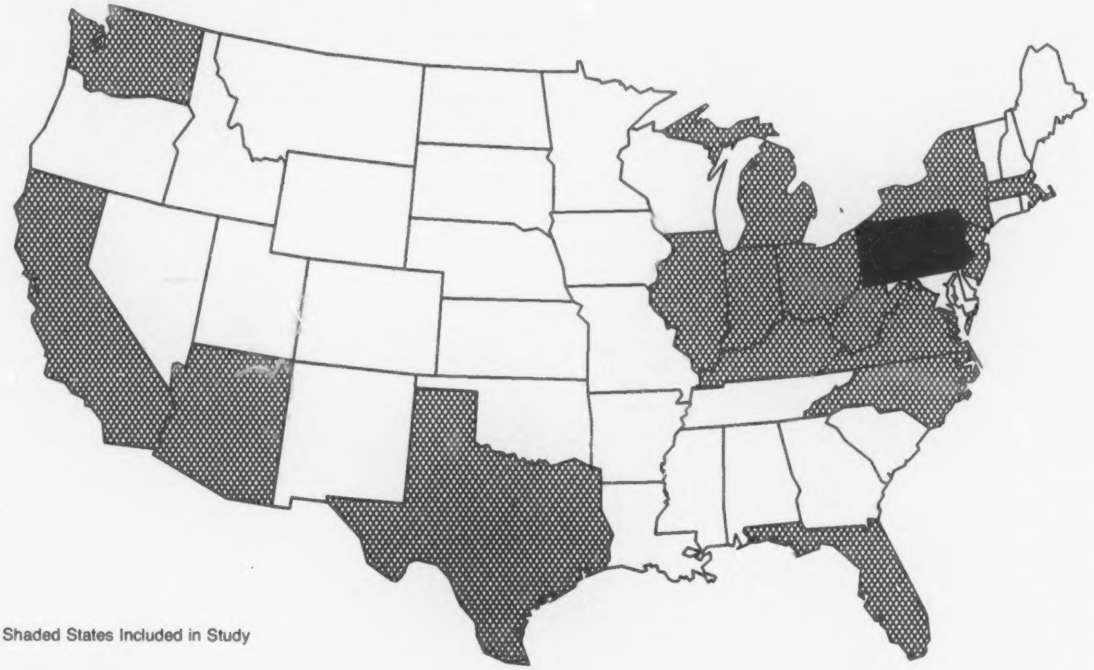
The Competitive Position of Pennsylvania*



Shaded States Included in Study

In the past few years, there has been increasing competition for new and expanding businesses among states and local areas. This competition has been spawned by sluggish economic activity and by shifts of population and employment opportunities. These shifts have worked to the disadvantage of Pennsylvania and other states in the northeast quadrant of the nation.

In response to these developments, the Center for Research recently completed a study for the Business Council of Pennsylvania to assess the competitive position of Pennsylvania relative to a selected set of other states. In the study, the overall competitive position of Pennsylvania rather than that of any particular industry was examined. Emphasis was placed on those factors which affect the costs of doing business, with particular attention directed to the role of state public policies — both legislative and administrative — in influencing business costs and climate.

To permit a more in-depth analysis than that possible when all states are considered, 16 states were chosen for comparison with Pennsylvania. The states chosen for the study had to meet three principal criteria: (1) they had to be populous states with large economic bases; (2) they had to be either the surrounding states of the northeast quadrant or representative of one of the other regions; and (3) they had to be deemed by Council members as states with which Pennsylvania must increasingly compete for new and expanded domestic and foreign investment during the next two decades.

More than 130 different indicators were used to evaluate the state's competitive position. Like other states in the sample, Pennsylvania's ranking varied significantly from indicator to indicator. The study identified many positive aspects and signs of improvement in the state's competitive position. Furthermore, its position compared very favorably with other northeastern states in the sample.

Nonetheless, there were many indicators where the state's poor performance is cause for considerable concern. In most of these cases, state policies have caused or contributed to the problems, and policy changes could markedly improve Pennsylvania's competitive position.

The results of the study are summarized below under four broad categories: (1) labor, (2) capital, (3) public sector activities, and (4) quality of life.

**This article is a summary of* The Competitive Position of Pennsylvania Businesses, *a report prepared for the Business Council of Pennsylvania by Rodney A. Erickson, Associate Professor of Business Administration and Geography; James H. Miller, Associate Professor of Business Logistics; and Michael J. Wasylenko, Associate Professor of Economics; all of The Pennsylvania State University.*

Labor

Pennsylvania has both a large labor force and a large pool of available labor. During the past two years, the state has consistently had unemployment rates which have been about one percentage point above the national average. This average translates into a pool of unemployed currently numbering more than half a million workers. The skills, costs, and relations with management of the state's labor force were examined.

Labor skills. Despite a reputation for having a highly skilled work force, indicators reveal that Pennsylvania lags behind the national average and many of the sample states in the percentage of the population with various educational levels and in the percentage of the work force in skilled occupation groups. Nevertheless, the study reveals a relatively strong commitment on the part of Pennsylvania's state and local governments to primary, secondary, and vocational education. But state government appropriations per student in its public colleges and universities in fiscal year 1981 were slightly below average nationally and were the eighth highest among the 17 sample states.

Labor costs. Over the years, Pennsylvania has acquired a reputation as a high wage state. However, in terms of direct wage costs, current indicators do not support that view. As demand for labor in the state has fallen relative to supply, wage increases have moderated, particularly in the nonmanufacturing sectors. Pennsylvania's average pay rates are competitive nationally in most major employment categories and are lower than in many other northeastern and western states when adjusted for different mixes of higher and lower paid sectors. However, wage rates in certain manufacturing industries are significantly above the national average.

Furthermore, Pennsylvania's direct labor costs have been increasing at a slower rate than in many other states. Regional and state wage differentials are narrowing. The change in pay per worker from 1979-1981 rose most rapidly in the states of the South and West and increased most slowly in the East North Central region.

But wage rates do not provide a complete picture of labor costs for the firm. Fringe benefits, unemployment compensation (UC) taxes, and workers compensation premiums are among significant indirect labor costs. Unfortunately, considerable variations in benefit programs from firm to firm and state to state make it difficult to compare some of these costs.

Unemployment compensation taxes per dollar of payroll in Pennsylvania are the highest of the states compared. The huge UC fund debt owed to the federal government threatens the system and adds a substantial additional tax burden. Several years of high unemployment levels, a slowly increasing employment base, and beneift levels which are high in comparison to other states have contributed to the problem. State government action is urgently needed to place the fund on a solvent basis over the long run while preventing a further deterioration of the state's competitive position.

Similarly, workers compensation costs have increased sharply in recent years, and reforms are necessary to contain the unwarranted cost increases for Pennsylvania's employers.

Labor relations. Pennsylvania also has a reputation for a high level of union organization, strikes, and poor labor-management relations. With over 34 percent of its nonagricultural workers unionized, compared to 24 percent of the nation's, Pennsylvania ranks 14th among the sample states. This high level of unionization has held steady for the past decade and is due, in part, to the state's industry mix and its high level of public sector unionization.

Pennsylvania led the other sample states in the number of work stoppages in 1980. However, the state's strikes

Indicators of Competitive Position Relating to Labor, Selected States

(1) Percentage of Work Force in Skilled Occupational Groups, 1979			(2) Average Annual Pay Per Worker (Corrected for Industry Mix), 1981			(3) Average Employer Contribution Rate for Unemployment Compensation as a Percentage of Total Wages, 1981*			(4) Number of Work Stoppages, 1980		
Rank	State	Percent	Rank	State	Dollars	Rank	State	Percent	Rank	State	Number
1	Arizona	44.0	1	North Carolina	12,956	1	Texas	0.2	1	North Carolina	22
2	California	42.0	2	Kentucky	14,152	2	Florida	0.5	2	Arizona	23
3	Massachusetts	41.4	3	Florida	14,399	3	Arizona	0.6	3	Florida	54
3	Texas	41.4	4	Virginia	14,505	4	Indiana	0.7	4	Virginia	69
5	New Jersey	41.2	5	West Virginia	14,865	5	Virginia	0.8	5	Texas	70
6	Washington	40.8	6	Indiana	15,256	6	North Carolina	0.9	6	Washington	84
7	New York	40.4	7	Massachusetts	15,344	7	California	1.0	7	Kentucky	110
8	Virginia	40.0	8	**PENNSYLVANIA**	15,501	8	West Virginia	1.1	8	West Virginia	125
9	Illinois	39.7	9	Arizona	15,629	8	Ohio	1.1	9	Massachusetts	135
10	Florida	39.2	10	Texas	15,834	10	New York	1.2	10	Indiana	138
11	Ohio	39.1	11	Ohio	16,046	11	Illinois	1.4	11	New Jersey	236
12	**PENNSYLVANIA**	38.7	12	New Jersey	16,411	11	Kentucky	1.4	12	Illinois	269
13	Michigan	37.0	13	Illinois	17,030	13	Massachusetts	1.5	13	Michigan	287
14	West Virginia	36.5	14	New York	17,182	14	Michigan	1.7	14	New York	342
15	North Carolina	36.2	15	California	17,239	14	New Jersey	1.7	15	California	358
16	Kentucky	35.9	16	Washington	17,493	14	Washington	1.7	16	Ohio	385
17	Indiana	35.5	17	Michigan	17,592	17	**PENNSYLVANIA**	1.8	17	**PENNSYLVANIA**	450
	U.S.	39.5		U.S.	15,691					U.S.	3,885

SOURCE: (1) U.S. Department of Labor, Bureau of Labor Statistics, "Geographical Profile of Employment and Unemployment, 1979," Report 619, December 1980, table 5, p. 30. (2) U.S. Department of Labor, Bureau of Labor Statistics, unpublished data. (3) U.S. Department of Labor, Employment and Training Administration, unpublished data. (4) U.S. Department of Labor, Bureau of Labor Statistics, "Work Stoppages, 1980," Summary 81-9, July 1981, table 11, p. 11.

*Includes additional taxes to repay the debt to the federal government.

involved smaller numbers of workers and were of shorter duration than those of many other states. In addition, a significant number (74) of the 450 work stoppages were attributable to public employee actions, largely in local education.

Capital

Pennsylvania possesses a huge stock of physical capital — both privately-owned plants, stores, and other business buildings, equipment, and fixtures and publicly-owned infrastructure, such as highways and bridges, airports and waterports, water supply systems, and a vast array of public facilities — that undergirds the production and distribution of goods and services. The availability of funds for investment in private sector capital stock and the extent and maintenance of public sector infrastructure in the sample states were compared.

Business capital. There appear to be no significant competitive problems in Pennsylvania's supply of business capital. The state ranked sixth among the 17 sample states in the dollar value of loans per capita by its banking institutions in 1981.

In addition, Pennsylvania has several programs to improve the supply and lower the costs of capital to eligible businesses. The state offers tax incentives and small business assistances which are competitive with those in other states.

Infrastructure. The state is relatively well-served by a large stock of infrastructure. Historically, it has been a leader in infrastructure provision. Among the sample states, Pennsylvania has the second highest percentage of its road system of the federal, primary, and Interstate highway standard.

This infrastructure must be maintained and repaired or rebuilt, which is done only at a considerable cost. The state government has made substantial progress in rebuilding Pennsylvania's aging infrastructure of highways and bridges, but much more work remains.

In general, Pennsylvania compares favorably with the other states in the study in state and local public expenditures to support its infrastructure. For example, in 1980 the state ranked fifth among the sample states in state and local expenditures per mile of highway for all levels of government and all public roads. However, part of the above average expenditures can be explained by the costs of snow removal and repairs for cold weather damage not incurred by the southern states.

Another important part of the state's infrastructure contributing to its competitive position is its substantial energy reserves. Many types of business are concerned with energy cost and availability. Pennsylvania has large and reliable energy production and distribution sytems. Furthermore, average energy costs are competitive nationally and very competitive regionally.

A final important economic resource to be considered is water. Pennsylvania has abundant water supplies. As a result, it had the third lowest average monthly water cost in 1980 of the 17 sample states.

Public Sector Activities

The efficient provision of public services, tax burdens similar or more favorable than those of other states, and reasonable environmental and other regulation can help create a favorable atmosphere for promoting employment growth and attracting new businesses.

General expenditures and taxation. Pennsylvania has a moderate level of state and local expenditures for its size. In fiscal year 1981, state and local government spending per capita ranked seventh lowest among the 17 sample states and was below the national average. Furthermore, the state has kept its expenditure growth rates relatively low.

Indicators of Competitive Position Relating to Capital, Selected States

(1) Commercial and Industrial Loans Per Capita, 1981			(2) Total Expenditure by All Levels of Government Per Mile of Highway, 1980			(3) Average Cost Per KWH for Commercial Service (Total Revenue/ Total KWH Sales), 1980			(4) Average Monthly Water Cost, 1980 (in Dollars)		
Rank	State	Dollars	Rank	State	Dollars	Rank	State	Dollars	Rank	State	Dollars
1	New York	4,164	1	New York	29,354	1	Washington	1.90	1	Massachusetts	205
2	Illinois	2,841	2	New Jersey	22,588	2	Kentucky	2.65	2	Michigan	293
3	Texas	2,527	3	Massachusetts	21,005	3	North Carolina	3.76	3	**PENNSYLVANIA**	376
4	California	1,468	4	West Virginia	17,034	4	West Virginia	4.01	4	Ohio	389
5	Washington	1,382	5	**PENNSYLVANIA**	15,202	5	Indiana	4.09	5	Arizona	409
6	**PENNSYLVANIA**	1,365	6	Virginia	15,019	6	Texas	4.39	6	North Carolina	439
7	Massachusetts	1,213	7	Illinois	13,591	7	Ohio	5.08	7	Texas	468
8	Michigan	909	8	Kentucky	13,587	8	**PENNSYLVANIA**	5.19	8	Florida	509
9	Arizona	888	9	California	13,239	9	Virginia	5.24	8	New York	509
10	North Carolina	804	10	Florida	12,745	10	Arizona	5.40	10	Indiana	583
11	Kentucky	773	11	Ohio	12,306	11	Florida	5.50	11	Washington	584
12	New Jersey	765	12	Washington	10,414	12	Michigan	5.56	12	Kentucky	587
13	Ohio	757	13	Michigan	10,350	13	Illinois	5.60	13	California	599
14	Indiana	726	14	North Carolina	9,070	14	California	6.29	14	Virginia	686
15	Virginia	718	15	Indiana	8,763	15	Massachusetts	6.84	15	New Jersey	689
16	Florida	598	16	Texas	8,274	16	New Jersey	7.08	16	Illinois	718
17	West Virginia	499	17	Arizona	7,156	17	New York	7.80	17	West Virginia	883
	U.S. Median	927		U.S.	9,455		U.S.	5.09			

SOURCE: (1) Federal Deposit and Insurance Corporation, "Commercial Banks — Assets and Liabilities, States and Other Areas," preliminary 1981 data. (2) U.S. Department of Transportation, Federal Highway Administration, "Highway Statistics 1980," table HF-2, p. 41. (3) Edison Electric Institute, "Statistical Yearbook," tables 41 and 59, pp. 46 and 59. (4) American Water Works Association, "1981 Water Utility Operating Data," tables 1 and 2, pp. 3-92.

Indicators of Competitive Position Relating to the Public Sector and the Quality of Life, Selected States

(1) Ratio of Business Taxes to Net Business Income, 1977: All Businesses			(2) Pollution Abatement Expenditures as a Percentage of Value of Shipments, 1978 (Corrected for Industry Mix)			(3) Crime Rate Per Thousand Population, 1980			(4) Number of Physicians Per Thousand Population, 1979		
Rank	State	Ratio	Rank	State	Percent	Rank	State	Rate	Rank	State	Number
1	West Virginia	0.032	1	North Carolina	0.096	1	West Virginia	26	1	New York	2.61
2	Indiana	0.054	2	New Jersey	0.098	2	Kentucky	34	2	Massachusetts	2.58
3	Kentucky	0.055	3	Massachusetts	0.116	3	**PENNSYLVANIA**	37	3	California	2.18
3	Virginia	0.055	4	California	0.126	4	North Carolina	46	4	New Jersey	1.82
5	Texas	0.059	5	New York	0.132	4	Virginia	46	5	**PENNSYLVANIA**	1.81
6	North Carolina	0.061	6	**PENNSYLVANIA**	0.155	6	Indiana	49	6	Illinois	1.78
6	Ohio	0.061	7	Ohio	0.156	7	Illinois	53	7	Florida	1.74
8	Illinois	0.062	8	Illinois	0.172	8	Ohio	54	8	Arizona	1.72
9	Washington	0.064	9	Florida	0.174	9	Massachusetts	61	8	Washington	1.72
10	Florida	0.066	10	Kentucky	0.177	9	Texas	61	10	Virginia	1.61
11	Arizona	0.069	11	Michigan	0.192	11	New Jersey	64	11	Ohio	1.56
12	**PENNSYLVANIA**	0.081	12	Indiana	0.194	12	Michigan	67	12	Michigan	1.53
13	New York	0.101	13	West Virginia	0.226	13	New York	69	13	Texas	1.45
14	California	0.102	14	Virginia	0.252	13	Washington	69	14	North Carolina	1.43
14	New Jersey	0.102	15	Texas	0.261	15	California	78	15	West Virginia	1.29
16	Massachusetts	0.112	16	Washington	0.282	16	Arizona	82	16	Kentucky	1.28
17	Michigan	0.128		Arizona	no data	17	Florida	84	17	Indiana	1.24
	U.S.	0.077					U.S.	59		U.S.	1.76

SOURCE: (1) William C. Wheaton, "Interstate Differences in the Level of Business Taxation," unpublished paper, Massachusetts Institute of Technology, May 1982. (2) U.S. Department of Commerce, Bureau of the Census, "Pollution Abatement Costs and Expenditures, 1978," Current Industrial Reports, May 1980, table 2B,pp. 12-14. (3) Federal Bureau of Investigation, "Crime in the U.S.," annuals for selected states. (4) U.S. Department of Commerce, Bureau of the Census, "Statistical Abstract, 1981," table 166, p. 106.

At the same time, Pennsylvania's state and local government revenues from its own sources were below the national average, ranking eighth lowest among the sample states, but state and local governments received about the same share of their total revenues from intergovernmental aid as did all state and local governments. In addition, the state raised an almost identical share of its total revenue from taxation as did all states on average. However, Pennsylvania raised a lower percentage from property and sales taxes and a higher percentage from income and other taxes. The higher percentage of income taxes results from the state's heavy reliance on corporate income taxes.

Business taxation. Pennsylvania has a reputation for high taxes on business firms, which is fostered by both high tax rates and the types of taxes that are levied on businesses. The state's ratio of business taxes to net business income in 1977 (the latest date for which there is data) ranked 12th among those of the sample states and is higher than the national average.

The state relies heavily on capital stock and franchise taxes for revenues. These corporate licensing taxes bear no relationship to a firm's profits or ability to pay and therefore are considered poor tax instruments. Among the sample states, only Texas raised more revenue from corporate licensing than Pennsylvania, but the state ranked 11th highest in corporate income tax payments per employee in fiscal year 1981.

Inequitable property tax assessments that characterize Pennsylvania's local units of governments also contribute to the state's unfavorable tax reputation. These factors, coupled with rapidly increasing burdens for unemployment and workers compensation, which firms regard as a part of their total tax liability, foster a negative image.

Environmental regulations. In general, Pennsylvania and other northeastern states appear to be competitive in their pollution abatement cost reduction programs and to even have an edge over most of the southern states in the sample. Nevertheless, further steps could be taken to improve the regulatory climate, such as formal master permitting.

Quality of Life

Recent studies have revealed the quality of life as an important factor in recruitment and retention of the work force. In addition, business owners and managers are increasingly sensitive to the kind of natural and cultural environments in which they live and work.

Pennsylvania ranks high in many of the traditional indicators of quality of life. The relative levels of the cost of living and the cost of housing are moderate. The state's crime rate is far below the national average and ranked the state third among the 17 sample states in 1980, behind only West Virginia and Kentucky.

Access to health care is also excellent. Pennsylvania ranked fifth among the sample states in the number of physicians per thousand population in 1979 and fourth in hospital beds per thousand residents.

Finally, recreation opportunities abound in the state, which ranked fourth in park acreage per thousand population in 1980 and is well above the national average in this measure.

Overall, the study demonstrates the need for leadership and action by Pennsylvania public, business, and labor officials to take steps in key areas of concern to make Pennsylvania competitive with other states in attracting and keeping business enterprises.

PENNSYLVANIA BUSINESS SURVEY
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Personal Income Increase Less than Heartening

Personal income in Pennsylvania increased 1.1 percent in the third quarter of 1982 compared to a 0.4 percent increase in the quarter earlier. However, this increase was less than heartening as much of it resulted from increased government welfare payments and unemployment insurance benefits.

Wage and salary disbursements declined for the second consecutive quarter. Nevertheless, third quarter's fall of 0.6 percent was less than half the 1.4 percent decline experienced in the second quarter. The second quarter of 1982 was the first quarter since second quarter 1975 that this component had declined.

In addition, Pennsylvania's third quarter growth in personal income was one of the slowest in the nation. Forty-four states had higher growth rates. The national average was 1.7 percent, with wage and salary disbursements advancing 0.9 percent from a quarter earlier.

Major Sources of Personal Income, Seasonally Adjusted at Annual Rates—Pennsylvania and the United States

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1982 III (mil of dols)	1982 III -1982 II	1982 III -1981 III	1982 III (mil of dols)	1982 III -1982 II	1982 III -1981 III
Labor and Proprietors Income by Place of Work	88,752	-0.4	-.05	1,832,416	1.0	3.4
By type						
Wage and Salary disbursements	74,684	-0.6	-0.6	1,558,428	0.9	3.7
Other labor income	8,523	-0.2	3.0	155,450	2.0	9.4
Proprietors income	5,544	0.8	-4.6	118,538	0.8	-6.5
Farm	476	-10.7	-44.1	16,663	-4.8	-36.7
Nonfarm	5,069	2.1	2.2	101,875	1.8	1.4
By industry						
Farm	747	-6.5	-32.6	28,780	-2.0	-23.3
Nonfarm	88,004	-0.4	-0.1	1,803,636	1.0	4.0
Private	75,813	-0.6	-1.2	1,497,469	0.9	3.4
Ag. serv., for., fish., and other	212	3.4	8.2	7,781	2.8	5.7
Mining	1,506	-5.1	-6.8	36,096	-4.4	-3.5
Construction	4,025	-1.8	-5.2	96,712	-0.4	-0.3
Manufacturing	27,177	-3.3	-9.3	450.304	-0.3	-1.4
Nondurable goods	9,613	-0.3	0.9	164,259	0.4	2.0
Durable goods	17,564	-4.9	-14.0	286,046	-0.7	-3.3
Transportation and public utilities	6,748	-0.1	-1.5	141,936	0.4	3.4
Wholesale trade	5,434	0.9	1.5	126,227	0.8	3.8
Retail trade	8,046	0.9	2.6	173,689	1.4	3.7
Finance, insurance, and real estate	4,961	3.3	10.3	112,705	3.2	9.4
Services	17,704	2.2	9.3	352,020	2.8	10.1
Government	12,191	0.7	7.4	306,167	1.3	7.0
Federal, civilian	3,161	2.8	5.2	69,404	1.7	4.1
Federal, military	430	3.1	25.0	30,736	0.2	14.7
State and local	8,601	-0.2	7.4	206,027	1.3	6.9
Personal Income by Place of Residence	129,960	1.1	3.8	2,584,937	1.7	5.6
Net labor and proprietor income	82,563	-0.4	-0.4	1,719,986	1.0	3.3
Dividends, interest, and rent	23,746	2.8	12.1	484,020	2.5	10.7
Transfer payments	23,651	4.9	12.3	380,931	4.2	10.5

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

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State's Economy Fails to Pick Up in February

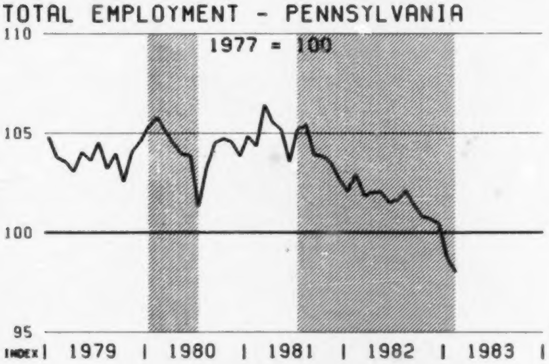
It appears doubtful from February's data that the national recovery, which is believed to have begun in January, had reached many Pennsylvanians. Nevertheless, some sectors of the state's economy showed signs of renewed life.

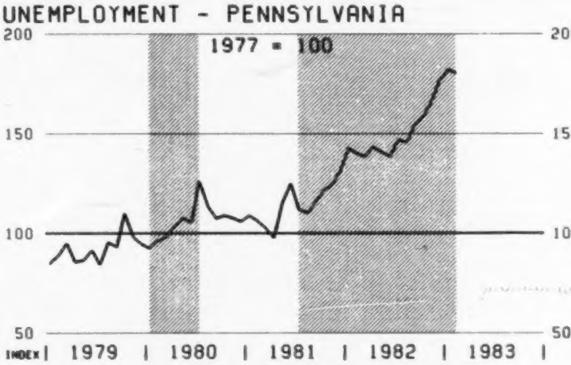
The total number of employed Pennsylvanians increased only slightly in February and not as much as expected for that time of year. After seasonal adjustment, total employment in the state was 4,709,200 — a six-year low and almost 8 percent below the peak of March 1981. Furthermore, although the seasonally adjusted unemployment rate fell 0.4 percent to 13.2 percent that month, it was the second highest monthly rate in the more than 14 years for which there is comparable data. February's rate was exceeded only by January's 13.6 percent.

The seasonally adjusted level of jobs in the state's manufacturing industries fell in February, but the drop was small relative to the average monthly drop for all of 1982. At the same time, average weekly hours worked by production workers fell sharply to 36.9 hours from 38.3 hours in January. February's factory workweek was the shortest in the decade for which comparable data exist.

The job losses, together with the shortened workweek, also brought total hours worked and total payrolls down to their lowest levels in the recession.

On the brighter side, January's turnaround in the steel industry continued in February. In most major steel-making industry groups, employment fell while average weekly hours remained essentially unchanged. At the same time,


TOTAL EMPLOYMENT - PENNSYLVANIA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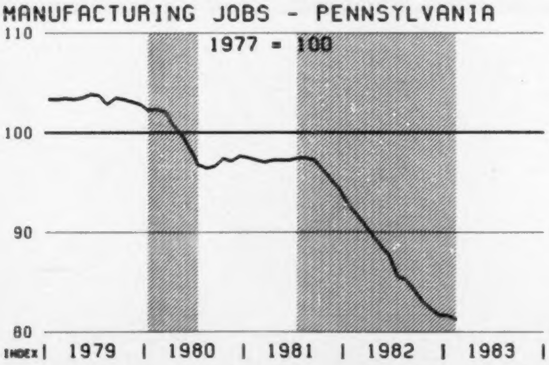
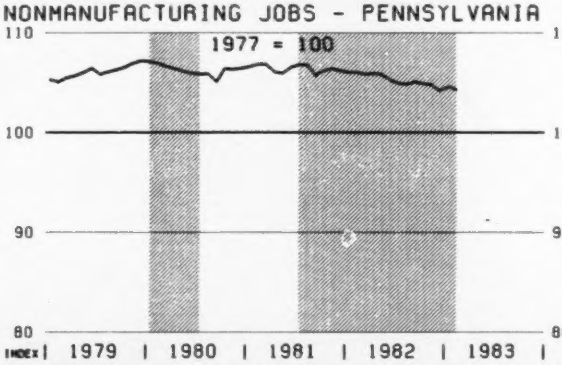

MANUFACTURING JOBS - PENNSYLVANIA


NONMANUFACTURING JOBS - PENNSYLVANIA

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **April 1983**

Economic Activity in Pennsylvania	1983 Jan.	1983 Feb.	1982 Feb.	Seasonally Adjusted Indexes (1977 = 100.) 1983 Jan.	1983 Feb.	1982 Feb.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,385	4,379	4,573	97.9	97.5	101.9
Nonmanufacturing						
No of wage and salaried jobs (thous.)	3,301	3,294	3,349	104.7	104.3	106.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,081	1,077	1,220	81.7	81.3	91.8
Ave. wkly. hrs. worked by prod. workers	38.3*	36.9	38.9*	97.3*	93.6	98.6*
Total wkly. person-hours worked (mils.)	27.8*	26.6	32.8*	73.5*	70.0	86.4*
Total wkly. payroll (mil. dols.)	246.0*	235.2	280.6*	110.4*	105.7	126.0
Steel production (thous. tons)	742	768	1,242	34	37	60
Industrial electric power sales (mil. kwh)	3,127	3,167	3,703	83	84	99
Mining						
Anthracite coal (thous. net tons)	323	303	381	73	77	97
Bituminous coal (thous. net tons)	4,854	n.a.	6,815	74	n.a.	101
Construction contracts awarded (mil. dols.)						
Total	208.3	185.9	231.0*	101	112	133*
Residential building	92.8	54.6	44.0*	126	82	65*
Other building	78.8	78.0	79.3*	102	147	148*
Nonbuilding (utilities and public works)	36.7	53.3	107.6*	53	118	241*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,603	4,610	4,846	98.7	98.0	102.9
Unemployed						
No. of persons (thous.)	804	759	597	181.9	180.4	140.0
Rate (percentage of labor force)	14.8	14.1	11.0	—	—	—
Rate, seasonally adjusted	13.6	13.2	10.1	—	—	—
Civilian labor force, no. of persons (thous.)	5,407	5,369	5,443	105.1	104.4	105.7
Initial claims for unemployment benefits	265,627	162,636	150,900	132.0	132.7	122.2

Consumer Prices, all items	Urban Indexes (1967 = 100.) 1983 Jan.	1983 Feb.	1982 Feb.	Percentage Change Month Ago	Year Ago
U.S. city average	293.1	293.2	283.4	0	+3.5
Philadelphia	282.1	282.0	275.5	0	+2.4
Pittsburgh	n.a.	304.8	278.6	n.a.	+9.4
Northeast PA	278.9	n.a.	272.5†	n.a.	+2.3

Notes: Data on employment have been revised to first quarter 1982 benchmarks.

* = figure revised † = figure for January 1982 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

production rose another 7 percent after rising 22 percent in January from December's level. The increased output from a reduced labor force indicates increased productivity, which is normal in the beginning stages of recovery.

Pennsylvania gained another 0.2 percent of national steel production, bringing the state's share to 13.5 percent. However, this is still well below the more than 20 percent share the state produced before the current downturn.

The pick-up in steel production in February was accompanied by a 1 percent increase in industrial electric power sales. But, sales rose only slightly above the eleven-year low reached last October, suggesting that the severely contracted level of output from the state's major industries continued through the second month of this year.

More than seasonal declines took place in the job levels of many of the state's nonmanufacturing industries, including construction, transportation, retail trade, and finance, insurance, and real estate. These declines were partially offset by more than seasonal increases in public utilities, services, and federal government positions.

The declines in the manufacturing and nonmanufacturing sectors brought the seasonally adjusted job level in all nonfarm industries in the state down to its lowest level since

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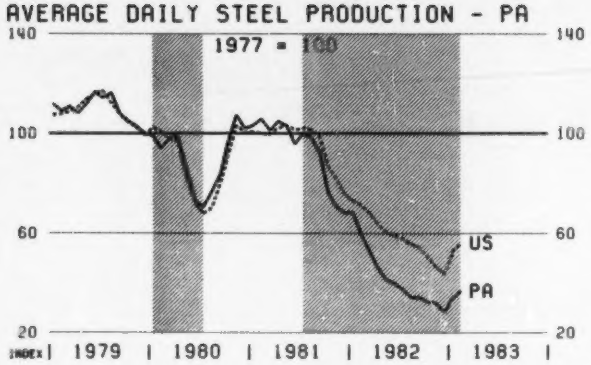

November 1975. March may bring further job losses, but the losses should again be smaller than those we saw in 1982.

Initial claims for unemployment compensation, which is a bellwether for future employment losses, fell substantially in February, but the decline was due to fewer work days in the month and to normal seasonal variation. January's level of claims is normally 45 percent higher than the monthly average for the year while February's is usually 14 percent lower than the average. After seasonal adjustment, the level of first claims rose, but only slightly.

The value of construction contracts awarded in Pennsylvania rose more than 10 percent in February from January's level after seasonal adjustment, but the value of total year-to-date awards trailed the value of a year ago's by almost 16 percent. February's increase came from awards for commercial buildings and public works and utilities. The seasonally adjusted value of residential building awards was down 35 percent in February from a month earlier while the value of nonresidential building awards was up 45 percent and nonbuilding awards more than doubled. The monthly figures of this highly volatile series are hard to interpret, but the 1983 figures to date have certainly not shown any signs of a pick-up in the industry.

Employment, average weekly hours, and production in the state's mining industry continued to fall in the first two months of the year. However, the declines were less than the usual seasonal drops. The seasonally adjusted index for the production of anthracite coal rose to 77 (1977 = 100) in February from 73 in January. The February figure for bituminous coal is not yet in; the seasonally adjusted index for this measure had risen to 74 (1977 = 100) in January from 72 in December.

Finally, inflation continued to abate in Philadelphia and Northeast, Pennsylvania. Consumer prices in these cities rose 2.4 and 2.3 percent, respectively, over the year, compared to a 3.5 percent increase on average in the nation's major cities. In Pittsburgh, however, consumer prices continued to rise at a very high rate. Most of the 9.4 percent increase in the index for Pittsburgh is attributable to the 15.2 percent rise in the housing component.

The Nation

After getting off to a healthy start in January, the national recovery lost some momentum in February. The seasonally adjusted unemployment rate for the nation, which fell 0.4 percent in January, was unchanged in February at 10.4 percent; industrial production rose a weak 0.3 percent after rising 1.3 percent in January; and retail sales declined again in Februray for the third consecutive month.

After an increase of 330,000 workers in January, employment shrank by 180,000 workers in February. But what was more unsettling was the 2 percent decline in average weekly hours in all nonfarm industries. The factory workweek dropped back to its December level after gaining 0.9 hours in January.

However, the February declines were more a reflection of unusual winter weather and quirks in seasonal adjustment factors than an indication of worsening economic conditions. About half of all nonfarm industries added to their payrolls in February for the second consecutive month. Factories added 24,000 jobs following a gain of 66,000 jobs in January. Prior to that, factory employment had fallen in every month since July 1981, for a total loss of 2.2 million jobs.

Thus, a mild recovery is still very much in the cards. However, manufacturers are not going to rapidly expand production until they see a substantial and sustained increase in sales. Analysts contend that retail sales could remain weak for another month or two because of extraordinarily high consumer loan rates and the psychological effect of continuing high unemployment.

The estimated overall growth in the U.S. economy in the first quarter at a seasonally adjusted, annual rate of about 4 percent is narrowly based and is largely a result of a slowdown in inventory liquidation. But, most analysts believe that the recovery will gradually broaden by the end of the third quarter.

– Norma Gavin Pappas

Employment by Major Population Groups

Men Continue to Be Hardest Hit

The fourth quarter of last year marked the fifth consecutive quarter during which the unemployment rate for men in Pennsylvania was above the rate for women. This reverses the traditional trend for female rates to exceed those of males.

From the third quarter of 1981 — the first quarter of the recession — to the fourth quarter of 1982, the unemployment rate for men in Pennsylvania rose more than five percentage points to 13.2 percent while the rate for women went up only about two percentage points to 9.9 percent. A similar, although not so dramatic, pattern is found between male and female rates for the nation as a whole. The national unemployment rate for men rose about three and a half percentage points to 10.6 percent while the percentage increase and the resulting fourth quarter rate for women were similar to those in the state.

Much of the greater impact of the economic decline on men can be attributed to their concentration in the more cyclical blue-collar occupations: men accounted for 81

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percent of employment in these occupations nationwide, compared with only 46 percent of white-collar jobs. Unemployment among blue-collar workers increased more than six percentage points to 16.1 percent between the third quarter of 1981 and the fourth quarter of 1982.[1] In contrast, the rise for white-collar workers was only about one and a half percentage points, reaching a high of 5.4 percent in the fourth quarter of 1982.

Similarly, Pennsylvania has a higher concentration of goods-producing industries than the nation on average. These industries provide a greater number of blue-collar jobs than service-producing industries, which explains the state's higher unemployment rate for men and for all workers. In 1981, 32 percent of all wage and salaried jobs in the state's nonfarm industries were in the goods-producing sector compared to 28 percent for the nation as a whole. Overall joblessness in the nation's goods sector increased about four percentage points between 1981 and 1982 to 13.4 percent, compared with a rise of about one percentage point in the service sector to 7.4 percent.

However, although the overall unemployment rate was higher for men than for women in 1982, the reverse is true when the rates are broken down by occupation or by sector. In other words, males in white-collar jobs have a lower unemployment rate than females in white-collar jobs as do males in blue-collar jobs compared to females in blue-collar jobs, and males in the goods-producing sector have a lower unemployment rate than females in the goods-producing sector as do males in the service-producing sector compared to females in this sector. But, because of the greater concentration of women in the service sector (nearly 80 percent of women are employed in services) which, on average, has a much lower jobless rate, the overall rate for females is lower than the overall rate for males.

Teenagers and black workers continued to have the highest unemployment rates in the fourth quarter of last year. An unemployment rate of 24.8 percent was reported for Pennsylvania's teenagers during the fourth quarter while 21.3 percent of the state's black workers were unemployed. These rates were not significantly different from rates reported in the previous quarter or a year ago, nor did they differ substantially from national rates for these groups.

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[1] Michael A. Urquhart and Marillyn A. Hewson, "Unemployment Continued to Rise in 1982 as Recession Deepened," *Monthly Labor Review*, vol. 106, no. 2, pp. 3-12.

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percent Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	1982 IV (in thousands)	Over quarter	Over year	1982 IV	1982 III	1981 IV	1982 IV	1982 III	1981 IV
Pennsylvania									
Total, seasonally adjusted	4,853	-1.3	- -	12.2	10.9	9.1	60.3	60.3	60.1
Total, unadjusted	4,889	-1.6	-2.3	11.8	10.6	8.9	60.5	60.7	60.3
Male	2,786	-0.1	-2.5	13.2	11.8	9.9	73.4	73.4	74.1
Female	2,103	-3.4	-2.2	9.9	9.2	7.5	48.7	49.5	48.0
White	4,505	-2.6	-2.8	10.9	9.8	8.1	61.0	61.4	61.1
Black and other	360	12.1	9.8	21.3	20.5	19.1	55.7	53.0	50.9
16-19 years old	285	-24.4	-9.8	24.8	22.9	24.8	48.7	58.4	53.0
United States									
Total, seasonally adjusted	99,135	-0.5	- -	10.7	10.0	8.3	64.1	64.1	63.8
Total, unadjusted	99,351	-1.5	-1.0	10.3	9.7	7.9	64.0	64.7	63.7
Male	55,730	-2.7	-2.1	10.6	9.5	7.8	76.1	77.6	76.3
Female	43,621	0.2	0.4	9.8	9.3	8.1	53.1	53.2	52.5
White	87,663	-1.5	-1.2	9.1	8.5	6.9	64.3	65.0	64.1
Black and other	9,176	-2.0	-2.0	19.9	19.4	16.4	61.2	62.3	61.0
16-19 years old	6,103	-17.5	-8.0	24.1	22.1	20.8	51.6	60.4	52.2

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

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State's Economy Shows Some Signs of Recovery

The state's employment indicators gave mixed signals again in March while other measures of the state's economy showed signs of improvement.

Total employment in Pennsylvania fell to its lowest level in nearly seven years. The drop in the seasonally adjusted number of employed residents in March was the seventh consecutive monthly decline and one of the steepest experienced during the current recession.

The seasonally adjusted number of jobless residents also declined in March. But because this decline was accompanied by a proportionately larger drop in the civilian labor force, the adjusted unemployment rate rose to 13.4 percent from 13.2 percent in February.

The civilian labor force in Pennsylvania fell significantly in the first three months of this year. This measure has been fairly stable with a gradual upward trend throughout the 13 years for which there is comparable data. The recent declines are due more to the length and severity of the current cyclical downturn and to the stringent definition of labor force participation used by the Census Bureau than to any long-term trend. To be counted in the labor force, a person must be actively seeking work. Because of the lack of job opportunities in the more than a year and a half that the state's economy has been contracting, many workers have become discouraged or for other reasons have quit looking for work. Therefore, they are no longer counted in the labor force.

As the economy picks up and employers begin calling back laid-off employees and recruiting new workers, the labor force is expected to swell back up to 1982 levels or higher. This expected rise in the labor force may cause unemployment rates to rise further because many persons looking for work will enter the jobless ranks before landing a position.

Initial claims for unemployment compensation, a harbinger of future employment losses, also did not indicate declining unemployment. Although the level of new claims in the state was down in March from levels of both a month and a year earlier, it remained at a historically high level.

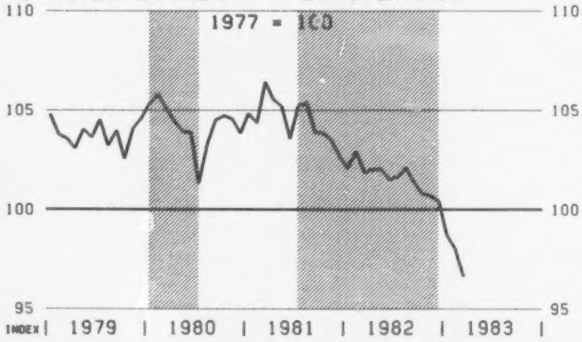
More encouraging was news on the level of jobs in the state's nonagricultural industries. Job levels improved slightly in many industry groups as the number of total nonfarm jobs leveled off at 4.4 million.

The manufacturing sector gained jobs in both durable goods and nondurable goods industries. The job losses in the durable goods industries had been slowing down in recent months, but March's increase in the job level was the first rise in 19 months. Furthermore, the increase in the job level of the nondurable goods industries was only the third since July 1981, the first month of the recession.

Nevertheless, the job gains in both major manufacturing industry groups were small compared to the losses incurred during the recession. In addition, three to five more months of improving job levels are needed before we can confidently say that these industries have bottomed out and are on their way to recovery.

Job gains were also evidenced in some major nonmanufacturing industry groups. Gains in the service sector brought the seasonally adjusted job level in this

TOTAL EMPLOYMENT - PENNSYLVANIA



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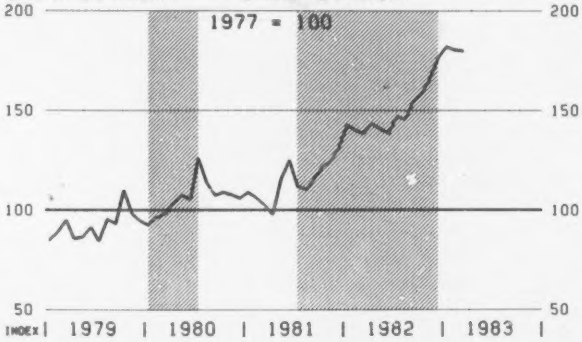

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industry group to its highest point ever. More than seasonal increases also took place in the job levels of mining, transportation, and retail trade industries. The job levels in state and local governments and finance, insurance, and real estate industries were unchanged after seasonal adjustment while those in the federal government and the construction, public utilities, and wholesale trade industries fell or increased less than normal for March.

The month's most favorable economic news came from the steel industry. Steel production in Pennsylvania increased for the third consecutive month in March, reaching over one million tons for the first time since April 1982. March's increase of 31 percent in the seasonally adjusted average daily production of steel followed increases of 22 percent in January and 7 percent in February.

The comparable production level for the nation increased by only 7 percent in March, resulting in a substantial gain in the state's share of total production. Pennsylvania's mills accounted for 16.6 percent of total national steel production, up from 13.5 percent in February and from a low of 12.1 percent registered in August.

However, no further large gains in steel production are expected in the next few months. The industry's semi-recovery has stalled. Orders for steel mill products, which had been steadily improving through February, fell a steep 26 percent in March. Demand for steel products used in consumer goods, such as automobiles and household appliances, was up sharply in the first two months of this year over levels in the same period a year ago, but sluggish automobile sales have weakened March and April orders. Furthermore, demand in the capital goods sector, which consumes about 70 percent of all steel produced in the U.S., is still declining and is not expected to turn up until the end of the year.

Much of the recent gains in production have been generated by a switch from inventory liquidation to inventory stability. (See graphs.) The dramatic inventory liquidation that occurred in 1982 was curtailed in the first two months of

Economic Activity in Pennsylvania				Seasonally Adjusted Indexes (1977 = 100.)		
	1983		1982	1983		1982
	Feb.	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,370*	4,403	4,584	97.3*	97.5	101.4
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,291*	3,320	3,369	104.2*	104.3	105.8
Manufacturing						
No. of wage and salaried jobs (thous.)	1,072*	1,079	1,211	80.9*	81.0	90.8
Ave. wkly. hrs. worked by prod. workers	36.8*	38.9	38.7	94.0*	98.4	97.9
Total wkly. person-hours worked (mils.)	26.5*	28.2	32.3	69.9*	73.9	84.7
Total wkly. payroll (mil. dols.)	233.6*	249.5	276.1	105.4*	111.7	123.6
Steel production (thous. tons)	768	1,181	1,293	37	48	53
Industrial electric power sales (mil. kwh)	3,167	3,306	3,637	84	87	96
Mining						
Anthracite coal (thous. net tons)	303	400	459	77	72	83
Bituminous coal (thous. net tons)	4,395	n.a.	7,718	65	n.a.	102
Construction contracts awarded (mil. dols.)						
Total	185.9	365.5	623.9*	112	98	158*
Residential building	54.6	145.6	134.6*	90	113	104*
Other building	78.0	141.0	237.9*	148	92	157*
Nonbuilding (utilities and public works)	53.3	78.9	251.4	103	80	265*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,610	4,571	4,823	98.0	96.6	101.9
Unemployed						
No. of persons (thous.)	759	736	572	108.4	179.9	138.5
Rate (percentage of labor force)	14.1	13.9	10.6	—	—	—
Rate, seasonally adjusted	13.2	13.4	10.1	—	—	—
Civilian labor force, no. of persons (thous.)	5,369	5,307	5,395	104.4	103.1	104.7
Initial claims for unemployment benefits	162,636	160,664	167,871	132.7	130.1	131.6

	Urban Indexes (1967 = 100.)			Percentage Change	
	1983		1982	*Month*	*Year*
Consumer Prices, all items	*Feb.*	*Mar.*	*Mar.*	*Ago*	*Ago*
U.S. city average	293.2	293.4	283.1	+0.1	+3.6
Philadelphia	282.0	283.0	274.7	+0.4	+3.0
Pittsburgh	304.8	n.a.	278.6†	n.a.	+9.4
Northeast PA	n.a.	278.9	267.2	n.a.	+4.4

Notes: Data on employment have been revised to first quarter 1981 benchmarks.

* = figure revised   = figure for February 1982   n.a. = data not available

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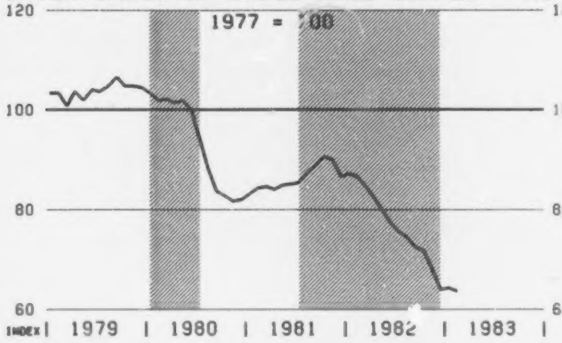
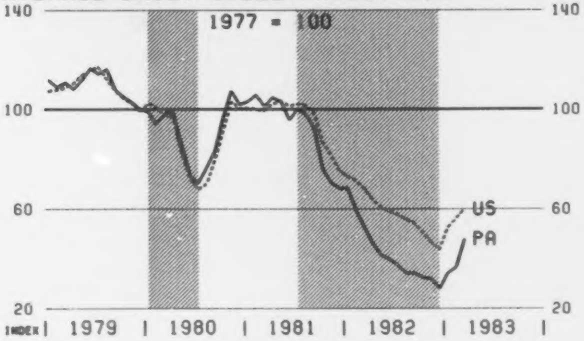
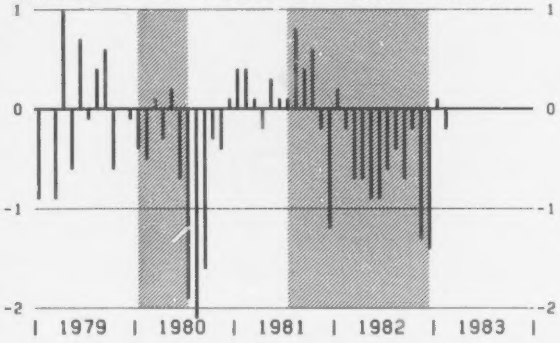
INVENTORIES OF STEEL MILL SHAPES - US



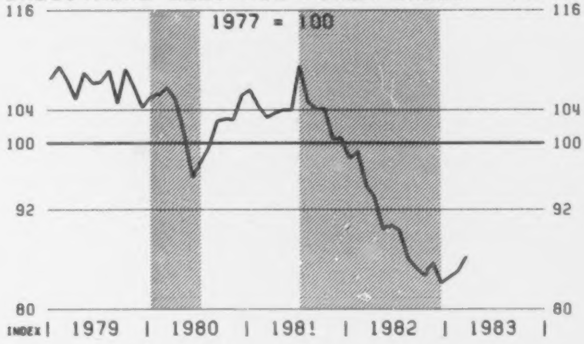
AVERAGE DAILY STEEL PRODUCTION



CHANGES IN INVENTORIES OF STEEL MILL SHAPES - US (MILS. OF SHORT TONS)



INDUSTRIAL ELECTRIC POWER SALES - PA



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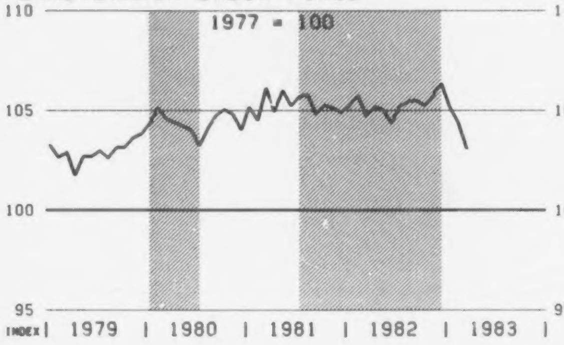
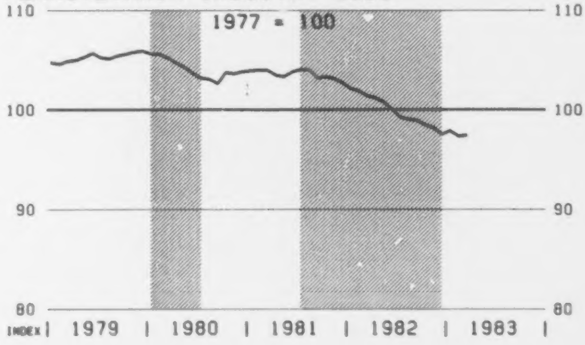


PENNSYLVANIA INDUSTRY JOBS



1983 as inventories of steel mill shapes stabilized at approximately 22.1 million short tons. This level is only 64 percent of the 1977 average and historically very low. Thus, any increases in demand could mean immediate increases in production. But producers and analysts are not optimistic on any further gains in the next few months.

In addition, while the steel industry's operating rate has nearly doubled since the end of last year, rising from a low of 30 percent in December to almost 60 percent in April, the rate of rehiring has lagged significantly. This lag is normal, and employment should continue to grow, gradually reducing the disparity. However, the improvements in the production rate will never be matched by improvements in the employment picture. Recently negotiated work-rule changes and planned plant streamlining will work to increase productivity. This means that any given amount of steel will be produced by a smaller, more efficient work force.

The increase in steel production in the state was accompanied by gains in factory payrolls and working hours. Both payrolls and total person-hours worked rose in March to their highest seasonally adjusted levels since last October. Furthermore, the average factory workweek shot up to 38.9 hours — its highest level in over a year — after falling to a seasonally adjusted 37.1 hours in February.

Industrial electric power sales appear to have bottomed out in December of last year. The third consecutive monthly increase in this series was registered last March. Over one-sixth of the 24 percent of sales lost between July 1981 and December 1982 was regained in the first quarter of this year. Further gains are expected as the economy continues to firm up, unless the steel industry — a major customer of the state's electric power companies — incurs additional setbacks.

— *Norma Gavin Pappas*

Around the State

A consistent pattern of worsening employment conditions was observed around the state in the first quarter of this year. But the performance of other measures of economic activity was more divergent and more encouraging.

Unemployment exceeded previously reached record highs while total employment and the civilian labor force contracted at some of the steepest rates since the beginning of the recession in all of the state's 14 metropolitan areas. Furthermore, the factory job level continued to fall in all areas, except Reading and York. On a brighter note, however, nonmanufacturing job totals leveled off in eight of the areas and rose slightly in York and Harrisburg.

In addition, industrial electric power sales, a measure of short-run changes in industrial production, rose in seven areas and leveled off in four others. Further declines were experienced in Harrisburg, Johnstown, and Philadelphia. Finally, the value of construction contracts for residential buildings awarded last quarter rose from year-ago figures in 11 of the 14 areas while nonresidential building contracts rose in seven of the areas. These awards reflect future construction activity.

Southeastern Quarter

Harrisburg

The recession was still very much evident in the relatively strong Harrisburg area economy last quarter.

The seasonally adjusted number of employed area residents fell 3.3 percent in the first quarter of the year and was still falling at the end of the quarter. Concurrently, the seasonally adjusted number of jobless residents rose 5.8 percent to its highest level in the more than 13 years for which there is comparable data.

Nevertheless, the seasonally adjusted level of jobs in the area's nonfarm industries was unchanged last quarter from a quarter earlier. This measure has fallen 3.2 percent since it peaked two years ago, which is the smallest drop among the state's major metropolitan areas.

The bulk of the job losses have been in the manufacturing sector, which lost another 1.5 percent of wage and salaried jobs last quarter after adjusting for normal seasonal variation. About 10 percent of these jobs have been lost since the beginning of the recession.

On the other hand, the seasonally adjusted job level in the nonmanufacturing sector rose 0.2 percent in the first quarter of this year. The total job loss in this sector by the fourth quarter of last year was only 2.2 percent of its peak level, registered in the first quarter of 1981.

Factory workers were also working a shorter week last quarter. Seasonally adjusted average weekly hours in the area's manufacturing industries fell to its lowest quarterly level in the more than 11 years for which there is comparable data. However, the monthly figure shot up to 38.9 hours in March — the highest level in seven months — after dipping down to 37.1 hours in February.

Harrisburg Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	206.9	106	109	108
Unemployed, no. of residents	19.9	152	144	141
Civilian labor force, no. of residents	226.8	108	111	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	213.6	105	105	106
Nonmfg. only, no. of jobs	175.8	107	106	108
Mfg. only, no. of jobs	37.8	96	97	102
Hrs. worked by production workers in mfg., *ave. weekly*	38.1	96	98	93
Industrial electric power sales	***	67	76	95

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	14.0	−21.3	+ 9.4
Nonresidential bldg. contracts only	10.8	−80.1	+86.2

[1] Cumberland, Dauphin and Perry Counties

Sales of electricity to industrial users in the Harrisburg area were at their lowest level since these data were first compiled in the third quarter of 1974. The seasonally adjusted level of industrial electric power sales fell another 11 percent last quarter, bringing the total decline in sales to more than 40 percent of the third-quarter 1981 level at the start of the 1981-82 recession.

A little life was seen in the construction industry. The value of awards for residential and nonresidential buildings was down in the first quarter of the year from a quarter earlier as is expected for that time of year, but both measures were up from year-ago levels.

Lancaster

Although total employment fell and unemployment rose in the Lancaster metropolitan area in the first quarter of the year, other indicators suggest economic activity in the area may have bottomed out.

Some of the steepest declines in the seasonally adjusted number of employed area residents took place last quarter. This measure fell 2.6 percent from a quarter earlier and 5.1 percent from third quarter 1981 at the start of the recession. At the same time, the seasonally adjusted level of unemployed workers rose to its highest quarterly level in the more than 13 years for which there is comparable data, exceeding the previous high of a year ago.

But the decline in the seasonally adjusted job level in the area's nonfarm industries leveled off in the first quarter of the year. The seasonally adjusted factory job level was still heading down at the end of the quarter, but at a much slower rate. Almost 10 percent of these jobs have been lost since third quarter 1981.

The number of jobs in the nonmanufacturing sector remained at about the same level it has held for over a year. The seasonally adjusted number of jobs in these industries has dropped less than 1 percent since the beginning of the recession.

Lancaster Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	160.7	105	108	108
Unemployed, no. of residents	15.6	175	170	173
Civilian labor force, no. of residents	176.3	108	111	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	144.9	105	105	107
Nonmfg. only, no. of jobs	92.0	111	111	111
Mfg. only, no. of jobs	52.9	94	95	101
Hrs. worked by production workers in mfg., *ave. weekly*	37.9	96	96	96
Industrial electric power sales	***	98	94	102

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	12.3	−35.3	+68.5
Nonresidential bldg. contracts only	6.0	−15.5	+25.0

[1] Lancaster County

In addition, the seasonally adjusted length of the factory workweek, after dipping down to 36.0 hours in February, was back up to its January level of 39.2 hours in March. Nevertheless, the quarterly average of 38.1 hours was the lowest recorded in the more than 11 years of comparable data.

The most encouraging news came from industrial electric power sales, which showed industrial activity in the Lancaster area to have picked up last quarter. Between third quarter 1981 and fourth quarter 1982, sales of electricity to the area's industries fell 10.8 percent. Almost 40 percent of this loss was regained in the first quarter of this year.

The area's construction industry also picked up a bit last quarter. The value of construction contracts awarded was down from a quarter earlier, as is normal for the first of the year, but showed substantial increases from year-earlier figures.

Philadelphia

A further slowdown in the Philadelphia area economy was evident last quarter, but the contraction continued to be less severe than in other metropolitan areas of the state.

Total employment of area residents fell for the second consecutive quarter, losing all the gains of the middle two quarters of 1982. Last quarter's 2.1 percent decline in the seasonally adjusted employment level was among the steepest in the most recent recession. This measure has declined 3.7 percent from its peak reached two years earlier.

At the same time, the number of jobless Philadelphians rose to a seasonally adjusted high of 9.4 percent of the civilian labor force in February and March. But the jobless rate in the area continues to be substantially lower than those of other areas in the state and remains below the 10.5 percent rate reached in May 1975.

The contraction in the area's manufacturing sector cooled off last quarter with a decline of only 0.6 percent in the seasonally adjusted factory job level. A total of 15.3 percent of these jobs have been lost since the third quarter of 1979.

Philadelphia Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	1,929.4	104	106	105
Unemployed, no. of residents	210.4	114	110	108
Civilian labor force, no. of residents	2,139.9	104	106	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	1,868.3	103	103	104
Nonmfg. only, no. of jobs	1,483.5	109	109	108
Mfg. only, no. of jobs	383.1	86	87	93
Hrs. worked by production workers in mfg., *ave. weekly*	n.a.	n.a.	97	99
Industrial electric power sales				
Metropolitan area	***	94	95	97
Chester	***	91	94	96
Philadelphia	***	95	95	98

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	118.5	−12.8	+36.5
Nonresidential bldg. contracts only	143.0	− 3.0	−47.3

[1] Bucks, Chester, Delaware, Montgomery and Philadelphia Counties, Pa.; Burlington, Camden and Gloucester counties, N.J.

The seasonally adjusted level of jobs in the nonmanufacturing sector has risen by 2.4 percent during the same 3½ years. However, the job level has been pretty much flat over the course of the most recent recession.

Sales of electricity to Philadelphia industries are still falling. The seasonally adjusted level of sales fell 1.1 percent last quarter, bringing the total drop in sales to more than 11 percent since they peaked in the first quarter of 1979. Industrial use of electricity on a quarterly basis has not been so low since the end of the 1975 recession.

Finally, the value of construction contracts fell last quarter from a quarter earlier. This is normal for the first of the year. But while the value of awards for nonresidential buildings also fell from the year-ago level, there was a substantial rise in the value of awards for residential buildings.

Reading

Despite further deterioration in employment last quarter, there were signs of the recession bottoming out in the Reading area economy.

Reading was the only metropolitan area in the state in which the seasonally adjusted job level in manufacturing industries increased from a quarter earlier. These jobs rose 0.8 percent from their low point in the fourth quarter of last year. The job level had fallen more than 10 percent from the third quarter of 1981.

At the same time, the seasonally adjusted job level in the area's nonmanufacturing industries was unchanged from a quarter earlier. The number of nonmanufacturing jobs in the area has not changed substantially in five quarters.

The seasonally adjusted average length of the factory workweek was also unchanged last quarter from a quarter earlier. However, within the quarter, it dropped to 36.7 hours in February and rose back up to 39.6 hours in March — its highest level in 21 months.

Reading Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	136.0	102	105	104
Unemployed, no. of residents	19.3	198	190	175
Civilian labor force, no. of residents	155.3	108	110	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	131.8	101	101	103
Nonmfg. only, no. of jobs	83.5	105	105	105
Mfg. only, no. of jobs	48.2	95	94	99
Hrs. worked by production workers in mfg., *ave. weekly*	38.1	98	98	99
Industrial electric power sales	***	98	94	104

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	6.2	−38.6	− 3.1
Nonresidential bldg. contracts only	3.9	−66.9	+62.5

[1] Berks County

Another indicator suggesting that the area's economy had bottomed out last quarter is industrial electric power sales, which rose almost 4 percent from a quarter earlier after adjusting for normal seasonal variation. These sales had fallen nearly 20 percent from their pre-recession level in the first quarter of 1981.

Concurrently, however, unemployment rose again, reaching its highest level in the more than 13 years for which there is comparable data. Furthermore, the seasonally adjusted number of employed residents fell another 2.8 percent and was still heading down at the end of the quarter. Total employment has fallen more than 6 percent since the first quarter of the recession.

York

The York area economy also may have bottomed out last quarter. Only the normal seasonal declines were experienced in the job level of the area's manufacturing industries while the job level in the area's nonmanufacturing industries rose slightly after seasonal adjustment. Other seasonally adjusted indicators, such as the length of the factory workweek and industrial electric power sales, were also unchanged from a quarter earlier.

The seasonally adjusted number of factory jobs in the York area remained at its fourth-quarter 1982 level in the first quarter of this year. This measure, which was at its lowest level since the third quarter of 1975, was rising slightly by the end of last quarter.

The area's nonmanufacturing jobs rose 0.4 percent more than the normal seasonal rise last quarter. Only 2.5 percent of these jobs had been lost in the area since they peaked in the fourth quarter of 1979.

In addition, the average length of the factory workweek shortened by only the normal seasonal amount. The unadjusted levels by the end of the quarter — at 41.0 hours in the durable goods industries and 39.5 hours in the nondurable goods industries — were nevertheless relatively high. Thus, increases in employment should closely follow any substantial increases in industrial production.

York Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	152.5	105	108	110
Unemployed, no. of residents	24.7	233	221	180
Civilian labor force, no. of residents	177.3	113	115	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	146.3	103	103	108
Nonmfg. only, no. of jobs	88.4	110	109	110
Mfg. only, no. of jobs	55.9	95	95	106
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	96	96	99
Industrial electric power sales	***	87	87	95

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	15.8	+ 14.5	+143.1
Nonresidential bldg. contracts only	22.2	+128.9	+ 8.8

[1] Adams and York Counties

Industrial electric power sales were picking up by the end of the first quarter although the quarterly average was unchanged from a quarter earlier. Sales of electricity to industrial users in the area fell 17.4 percent in the year between the third quarter of 1981 and the third quarter of 1982. In the fourth quarter of 1982, they rose 0.6 percent, and, by March of this year, they were at their highest level since April 1982.

The value of construction contract awards was up for both residential and nonresidential buildings last quarter. These awards indicate increased construction activity in the coming months.

At the same time, however, employment conditions continued to worsen. The seasonally adjusted number of employed residents fell 2.3 percent last quarter, bringing it to its lowest level in five years. Furthermore, unemployment rose to its highest level in the more than 13 years for which there is comparable data. But, the jobless total did fall back somewhat in February and March after reaching a peak in January.

Northeastern Quarter

Lehigh Valley

Employment conditions continued to worsen in the Lehigh Valley area last quarter. Both total employment of area residents and total nonfarm industry jobs were down to their lowest seasonally adjusted levels since the third quarter of 1972.

After seasonal adjustment, total employment was down more than 3 percent in the first quarter of this year from a quarter earlier and almost 9 percent from the third quarter of 1981. At the same time, unemployment rose more than 8 percent from a quarter earlier and 65 percent from the first quarter of the recession. The seasonally adjusted jobless rate, which rose to 13.5 percent last quarter, would have been even worse if the civilian labor force had not contracted 3 percent over the course of the recession.

Lehigh Valley Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	257.3	96	99	101
Unemployed, no. of residents	43.6	196	181	152
Civilian labor force, no. of residents	300.9	103	105	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	240.8	95	96	100
Nonmfg. only, no. of jobs	154.9	106	106	107
Mfg. only, no. of jobs	85.8	80	81	92
Hrs. worked by production workers in mfg., *ave. weekly*	36.7	97	97	101
Industrial electric power sales				
Metropolitan area	***	99	95	105
Allentown	***	95	95	96
Bethlehem	***	99	89	110
Easton	***	108	117	114

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	23.4	−33.0	+160.0
Nonresidential bldg. contracts only	20.3	−37.2	− 31.2

[1] Lehigh, Northampton and Carbon Counties, Pa.; Warren County, N.J.

Job levels in both the area's manufacturing and nonmanufacturing industries were down last quarter from a quarter earlier. However, most of the job losses in the nonmanufacturing sector were normal for that time of year.

The level of factory jobs in the Lehigh Valley area has not been so low since October 1959 at the end of that year's major steel industry strike. Over 21 percent of the area's manufacturing jobs have been lost over the two back-to-back recessions of 1980 and 1981-82. Furthermore, the job level in manufacturing industries was still declining at the end of the first quarter of this year.

The length of the factory workweek rose at the end of the first quarter, but the seasonally adjusted average for the quarter was essentially unchanged from a quarter earlier.

On a more positive note, seasonally adjusted sales of electricity to industrial users in the metropolitan area rose 4 percent last quarter from a quarter earlier. The rise came solely from Bethlehem; industrial electric power sales were unchanged in Allentown and fell further in Easton. Bethlehem, which uses over 50 percent of the electricity sold to industries in the Lehigh Valley area, regained more than 40 percent of the 22 percent of total sales lost between the third quarter of 1981 and the fourth quarter of 1982.

Finally, construction contracts awarded for residential buildings in the area were down from a quarter earlier, as is normal in the first quarter of a year, but they were up substantially from the depressed level of a year ago. Construction contracts awarded for nonresidential buildings were down last quarter from levels of both a quarter and a year earlier.

Northeast

Although there was little evidence to suggest a pickup in the economy of the Northeast metropolitan area, it had clearly leveled off in the first quarter of the year.

Northeast Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents				
Northeast metropolitan area	242.1	100	103	103
Lackawanna County[2] only	86.2	100	103	103
Luzerne County[3] only	129.7	100	103	103
Unemployed, no. of residents				
Northeast metropolitan area	38.1	130	124	119
Lackawanna County[2] only	12.2	113	114	112
Luzerne County[3] only	21.6	133	127	123
Civilian labor force, no. of residents				
Northeast metropolitan area	280.2	104	105	105
Lackawanna County[2] only	98.3	101	104	104
Luzerne County[3] only	151.3	103	105	105
Local industries, Northeast metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	226.4	99	99	101
Nonmfg. only, no. of jobs	164.7	104	104	105
Mfg. only, no. of jobs	61.7	87	88	93
Hrs. worked by production workers in mfg., *ave. weekly*	36.6	101	100	102
Industrial electric power sales				
Northeast metropolitan area	***	94	94	99
Lackawanna County[2] only	***	95	94	98
Luzerne County[3] only	***	90	89	97
Hazleton	***	85	85	93
Wilkes-Barre	***	86	84	90

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	26.1	+13.5	+174.7
Nonresidential bldg. contracts only	5.8	−29.3	+ 65.7

[1] Lackawanna, Luzerne and Monroe Counties

[2] Includes Scranton

[3] Includes Wilkes-Barre and Hazleton

The seasonally adjusted job level in the area's manufacturing industries fell another 1.3 percent last quarter but was falling at a slower rate than it had in the previous five quarters. In addition, the seasonally adjusted job level in the area's nonmanufacturing industries was unchanged from a quarter earlier. Almost 11 percent of total factory jobs in the area have been lost since the third quarter of 1981 while less than 2 percent of nonmanufacturing jobs have been lost. Last quarter, total nonfarm industry jobs stood at their lowest level in six years but changed little from a quarter earlier.

The average length of the factory workweek fell slightly in the area's durable goods industries while it posted a small gain in the nondurable goods industries. The seasonally adjusted value for all manufacturing industries rose to 36.6 hours in the first quarter of 1983 from 36.2 hours in the fourth quarter of 1982.

Sales of electricity to industrial users also leveled off last quarter, with Scranton and Wilkes-Barre posting small gains after seasonal adjustment of the data.

There was also a marked increase in the value of awards for construction of residential buildings in the area both from a quarter and a year earlier. Furthermore, nonresidential building contracts were up substantially from their year-earlier level.

However, employment conditions in the Northeast area remained sour last quarter. Total employment in the area fell 2.7 percent after seasonal adjustment to its lowest level since

Williamsport Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	42.9	95	98	98
Unemployed, no. of residents	8.8	180	167	142
Civilian labor force, no. of residents	51.8	102	104	102
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	42.9	95	96	98
Nonmfg. only, no. of jobs	28.8	104	104	103
Mfg. only, no. of jobs	14.1	81	82	91
Hrs. worked by production workers in mfg., *ave. weekly*	38.4	99	99	102
Industrial electric power sales	***	88	88	96

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	1.2	− 40.0	+100.0
Nonresidential bldg. contracts only	0.0	−100.0	−100.0

[1] Lycoming County

Erie Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	102.5	95	99	102
Unemployed, no. of residents	21.7	226	205	148
Civilian labor force, no. of residents	124.2	105	107	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	102.3	94	95	100
Nonmfg. only, no. of jobs	68.1	103	104	104
Mfg. only, no. of jobs	34.1	80	82	94
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	96	97	97
Industrial electric power sales	***	75	75	83

Construction contracts awarded *(in millions of dollars)*	Total 1Q.83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	5.0	+11.1	− 2.0
Nonresidential bldg. contracts only	4.1	−19.6	−33.9

[1] Erie County

the second quarter of 1977. In addition, the seasonally adjusted number of jobless residents rose in Luzerne and Monroe Counties while it fell slightly in Lackawanna County. But because the number of workers in the labor force declined, the seasonally adjusted unemployment rate rose in all three counties.

Williamsport

The economic indicators for the Williamsport metropolitan area show the recession to have slowed down and maybe even to have bottomed out last quarter. But a recovery had not yet begun.

The job levels in both the area's manufacturing and nonmanufacturing sectors fell last quarter, but the total declines were less than 1 percent of levels a quarter earlier after seasonal adjustment. The seasonally adjusted factory job level fell 0.7 percent from a quarter earlier. This measure had been pretty steady throughout 1981 and the first half of 1982, even gaining some jobs by the end of this period. However, in the second half of 1982, it plunged and was 11 percent below the second quarter level in the fourth quarter of the year.

On the other hand, the seasonally adjusted level of jobs in the area's nonmanufacturing industries, which fell a small 0.3 percent last quarter, reached a low in the first quarter of 1982 and has risen 1.4 percent since then. Nevertheless, the seasonally adjusted total nonfarm industry job level was the lowest it has been since the second quarter of 1972.

The length of the factory workweek was unchanged last quarter after seasonal adjustment. This measure is expected to rise before job levels because employers will increase production by first increasing the working hours of those still on the job before hiring back laid-off workers.

Production in the area's industries may not have substantially increased last quarter, but it did appear to have leveled off. Seasonally adjusted sales of electricity to industrial users, a short-run measure of changes in industrial output, was unchanged from a quarter earlier. These sales were down more than 18 percent from their peak in the first quarter of 1979. In the first quarter of this year, they stood at their lowest level since the end of the relatively severe 1973-75 recession.

As in other metropolitan areas of the state, however, employment conditions worsened in the Williamsport area last quarter. Total employment plunged while unemployment rose to a new record high. The seasonally adjusted number of employed area residents fell 3.3 percent, the largest quarterly drop of the recession. This measure was 6.6 percent below its third quarter 1981 level and 10.4 percent below its peak level in the fourth quarter of 1978.

At the same time, the seasonally adjusted number of jobless residents was at its highest quarterly rate in the 13 years for which there is comparable data. However, the monthly rates for the January-March quarter had fallen back somewhat from December's record high.

Finally, there were very few construction contracts awarded last quarter, but this is not unusual for the first of the year.

Northwestern Quarter

Erie

The Erie area economy was still mired down in recession in the first quarter of this year. Total employment of residents and job levels in the area's nonfarm industries were their lowest in over a decade while industrial activity, as measured by seasonally adjusted sales of electricity to industrial users, remained at the 15-year low reached in the fourth quarter of last year.

The seasonally adjusted number of employed residents in Erie fell sharply last quarter and the number of jobless residents rose to its highest level in the more than 13 years that these data have been compiled. The jobless count would have been worse if the civilian labor force had not fallen back to its fourth quarter 1981 level.

Job levels were down from a quarter earlier in both the area's manufacturing and nonmanufacturing sectors. The seasonally adjusted level of factory jobs rose slightly in

January and February but fell back somewhat in March. This measure has fallen 23 percent over the two back-to-back recessions of 1980 and 1981-82. At the same time, the seasonally adjusted job level in nonmanufacturing industries fell less than 4 percent, with most of the job losses occurring during the 1980 recession. The job level in these industries has remained relatively stable over the most recent recession.

Other economic indicators for the area supported the grim picture painted by the employment figures. The seasonally adjusted average length of the factory workweek was at its lowest quarterly level in the more than 11 years for which there is comparable data.

Furthermore, after adjustment for normal seasonal variation, industrial electric power sales were at their lowest level since third quarter 1967 but were essentially unchanged from a quarter earlier.

Finally, construction contracts awarded for both residential and nonresidential buildings remained weak. Both measures were down from levels of a year ago. But while the value of nonresidential building contracts fell from a quarter earlier, as seasonally expected, the value of residential contracts rose slightly.

Sharon

All of the employment measures for the Sharon metropolitan area continued to paint a dismal picture in the first quarter of the year. At the same time, however, industrial activity, as measured by sales of electricity to industrial users, picked up considerable momentum.

Total employment fell another 5 percent last quarter, bringing the total decline in this measure to 17 percent of its third quarter 1981 level. In addition, the number of jobless residents has more than doubled over the previous year and a half. As a result, the seasonally adjusted unemployment rate soared to 22.8 percent of the labor force in January but fell back to 20.6 percent in February and 20.3 percent in March.

The record high unemployment rates for the area have been helped by the contracting work force. The seasonally adjusted civilian labor force fell for the fourth consecutive quarter in the first quarter of the year and stood more than 4 percent below its third quarter 1981 level. Thus, there are more jobless residents in the area than the official statistics show.

Furthermore, the number of factory jobs fell 6.2 percent last quarter. One out of every three jobs in the area's manufacturing industries has been lost since the third quarter of 1981. This is in addition to the jobs lost in the 1980 recession, most of which were not regained before the most recent downturn.

A considerable number of nonmanufacturing jobs has also been lost in the area. The seasonally adjusted job level in these industries has fallen 6.5 percent from third quarter 1981. However, by the first quarter of this year, the nonmanufacturing job level appeared to be stabilizing.

Good news was seen in the seasonally adjusted level of industrial electric power sales, which rose 12.5 percent last quarter after rising 4.2 percent in the quarter earlier. Just under half of the almost 28 percent of sales lost between third quarter 1981 and third quarter 1982 had been regained by the first quarter of the year.

Sharon Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	41.5	87	92	98
Unemployed, no. of residents	11.8	283	256	206
Civilian labor force, no. of residents	53.3	103	105	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	38.7	88	90	97
Nonmfg. only, no. of jobs	28.2	100	101	103
Mfg. only, no. of jobs	10.5	65	70	86
Industrial electric power sales	***	101	90	97

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	1.6	− 46.7	+45.5
Nonresidential bldg. contracts only	2.0	+185.7	−95.8

[1] Mercer County

The highly volatile contract construction series for nonresidential buildings was way down from year-ago levels but rose from its extremely low level in the fourth quarter of 1982. The more stable residential building series fell from its level a quarter earlier, as is normal for that time of year, but was up substantially from its year-ago level.

Southwestern Quarter

Altoona

There was no relief from Altoona's worsening employment conditions in the first quarter of the year. Seasonally adjusted indicators for total employment and factory job levels continued to decline.

The seasonally adjusted number of employed area residents fell to its lowest quarterly level in the more than 13 years for which there is comparable data. Some of the steepest declines in this measure since the beginning of the recession took place last quarter.

The highest seasonally adjusted number of jobless residents was also registered in the Altoona area last quarter. This measure peaked in January, declining somewhat in February and March. However, the declines in the number of unemployed workers in the latter two months of the quarter were accompanied by substantial drops in the civilian labor force and therefore do not necessarily indicate improving conditions. Last quarter, the work force stood at its lowest seasonally adjusted level since the fourth quarter of 1977.

Furthermore, after taking account of normal seasonal variation, the job level in the area's manufacturing industries was still heading down at the end of the quarter. The seasonally adjusted level of factory jobs in the first quarter was about 15 percent lower than its level in the third quarter of 1981 and was the lowest it has been in almost 25 years.

In addition, the level of jobs in the area's nonmanufacturing sector has been declining since the third quarter of 1978 and last quarter was more than 13 percent

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'83	1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	44.9	90	93	95
Unemployed, no. of residents	10.2	228	210	190
Civilian labor force, no. of residents	55.1	100	101	102
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	44.2	89	89	93
Nonmfg. only, no. of jobs	33.6	91	91	94
Mfg. only, no. of jobs	10.7	84	85	92
Hrs. worked by production workers in mfg., *ave. weekly*	37.7	100	100	100
Industrial electric power sales	***	76	72	92

Construction contracts awarded *(in millions of dollars)*	Total 1Q'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	1.9	−56.8	+90.0
Nonresidential bldg. contracts only	1.6	−83.8	+ 6.7

[1] Blair County

lower than at that time but was little changed from a quarter earlier.

Other measures showed some improvement in the Altoona economy, but the increases are small and are not yet strong enough to give a convincing indication that the recession has ended in the area.

Average weekly hours in the area's manufacturing industries rose in March to a seasonally adjusted 38.4 hours from 37.9 hours in February. However, the length of the factory workweek was unchanged in the first quarter from the quarter earlier.

Industrial electric power sales rose in the first quarter. But last quarter's 5.5 percent rise in sales still left them 31 percent below their peak in the second quarter of 1979.

Finally, construction contracts awarded in the Altoona area were down substantially from a quarter earlier, as is normal for this time of year, but residential building contracts were outpacing awards of a year ago.

Johnstown

The Johnstown economy was still taking a beating from the recession and the curtailment of the area's steel operations in the first quarter of this year. The level of jobs in the manufacturing sector was the lowest recorded in the post-World War II era, bringing both total employment in the area to its lowest level and unemployment to its highest level in the more than 13 years for which these data have been compiled. The seasonally adjusted unemployment rate at 23.6 percent in the first quarter was among the highest in the nation.

The number of wage and salaried jobs in Johnstown's manufacturing industries has fallen steeply and steadily since before the 1980 recession. The seasonally adjusted factory job level in the first quarter of this year was down by almost 40 percent from its level in the fourth quarter of 1979.

In addition, factory workers still on the job were working a much shortened workweek at the beginning of the year. The average length of the factory workweek fell to 34.5 hours in the first quarter of the year, down from 35.1 hours in the previous quarter. However, all of the decline came from producers of nondurable goods. The workweek in durable goods factories rose to 37.7 hours last quarter from 36.6 hours a quarter earlier while, in nondurable goods factories, it tumbled to 33.2 hours from 36.7 hours.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'83	1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	79.3	83	87	92
Unemployed, no. of residents	26.4	233	203	151
Civilian labor force, no. of residents	105.6	98	99	98
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	71.3	83	84	92
Nonmfg. only, no. of jobs	59.3	91	92	98
Mfg. only, no. of jobs	12.0	58	60	73
Hrs. worked by production workers in mfg., *ave. weekly*	34.6	89	90	92
Industrial electric power sales	***	70	73	123

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	5.1	−37.0	− 1.9
Nonresidential bldg. contracts only	3.0	−41.2	−33.3

[1] Cambria and Somerset Counties

The job losses in the area's nonmanufacturing industries slowed down last quarter. However, the number of these jobs remained at a level more than 7 percent below the third quarter 1981 level and almost 14 percent below the third quarter 1979 level.

Industrial electric power sales also fell again last quarter. These sales were down 43 percent last quarter from their peak a year ago when Bethlehem's new electric furnace was in full operation.

Finally, the value of construction contracts in the area for residential and nonresidential buildings was down from both a quarter and a year earlier.

Pittsburgh

Some pickup in economic activity was evident in the Pittsburgh metropolitan area last quarter, but employment continued to fall throughout the quarter and the unemployment rate rose to new record highs.

The seasonally adjusted number of employed area residents fell another 3.4 percent in the first quarter of the year, bringing the total percentage decline in this measure since the first quarter of the recession to almost 12 percent. Furthermore, the seasonally adjusted jobless total has more than doubled over the recession. It rose another 7.7 percent last quarter.

The unemployment rate after seasonal adjustment stood at 16.3 percent in the first quarter of the year, the highest level in the more than 13 years for which there is comparable data. This rate would have been even higher if the work force had not contracted 1.8 percent last quarter.

In addition, the seasonally adjusted level of factory jobs, which has dropped by nearly one-third since the first quarter

Pittsburgh Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	837.8	94	97	102
Unemployed, no. of residents	173.4	258	240	162
Civilian labor force, no. of residents	1,011.1	105	107	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	837.6	94	94	101
Nonmfg. only, no. of jobs	668.9	103	103	106
Mfg. only, no. of jobs	168.2	68	69	86
Hrs. worked by production workers in mfg., *ave. weekly*	37.9	92	93	96
Industrial electric power sales	***	58	55	88

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	52.2	− 6.3	+260.0
Nonresidential bldg. contracts only	90.0	−47.2	+123.3

[1] Allegheny, Beaver, Washington and Westmoreland Counties

of the recession, reached a new post-World War II low last quarter. At the same time, however, the seasonally adjusted nonmanufacturing job level was essentially unchanged from a quarter earlier. The job level in these industries has fallen 3.8 percent from its peak level three years earlier.

The seasonally adjusted average length of the factory workweek also declined slightly from a quarter earlier. This measure has fallen to 37.4 hours from 40.8 hours in the second quarter of 1981. Because the workweek is currently so low, the turnaround in employment levels will lag the pickup in industrial production by several months.

Industrial activity, as measured by sales of electricity to industrial users, began to pick up in the area last January. The seasonally adjusted level of sales increased steadily in the first three months of the year. March's level of sales was 22 percent higher than the level in December. At that time, sales were less than half what they were in July 1981 at the start of the recession.

Construction activity also picked up last quarter from a year ago. The value of awards for both residential and nonresidential buildings declined from a quarter earlier, as is normal for the first of the year, but both measures were well ahead of last year's awards.

State College

Employment conditions in the State College area deteriorated last quarter, but industrial activity, as measured by sales of electricity to area industries, picked up for the first time in a year and a half and the value of awards for residential building construction was up substantially from the year-earlier level.

The seasonally adjusted number of employed residents in the State College metropolitan area dropped 3.1 percent from a quarter earlier after three years of relative stability.

At the same time, the number of jobless residents rose to a new record high. The seasonally adjusted unemployment rate in Centre County has doubled since the beginning of the 1980 recession.

Job levels were down slightly in both the area's manufacturing and nonmanufacturing industries in the first quarter of the year. The seasonally adjusted number of factory jobs fell for the fourth consecutive quarter to its lowest non-strike level since the third quarter of 1980. The total loss in factory jobs since this measure peaked in the third quarter of 1981 has been more than 12 percent of that quarter's total.

On the other hand, the job level in the area's nonmanufacturing industries has grown more than 1 percent during this time. However, by the end of last quarter most of these job gains had been lost.

Despite the dismal employment picture in the first quarter of the year, there were signs that economic activity was picking up a bit. Industrial electric power sales, adjusted for seasonal variation, rose 3.1 percent from a quarter earlier after falling for five consecutive quarters. Between third quarter 1981 and fourth quarter 1982, they fell more than 19 percent.

The construction industry also showed some life in residential building contracts. The value of awards for these buildings was up significantly from year-ago levels. But there was very little new activity in nonresidential building construction awards.

State College Area[1]

	Ave. mo. value 1 Q.'83	Average monthly index seas. adj. (1977 = 100) 1 Q.'83	4 Q.'82	1 Q.'82
Employment *(in thousands)*				
Employed, r.o. of residents	43.8	107	110	110
Unemployed, no. of residents	6.4	224	203	169
Civilian labor force, no. of residents	50.3	114	116	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	45.0	111	112	112
Nonmfg. only, no. of jobs	38.3	111	112	110
Mfg. only, no. of jobs	7.0	108	110	122
Industrial electric power sales	***	86	83	94

Construction contracts awarded *(in millions of dollars)*	Total 1Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	5.1	+ 4.1	+34.2
Nonresidential bldg. contracts only	0.2	−96.4	−95.0

[1] Centre County

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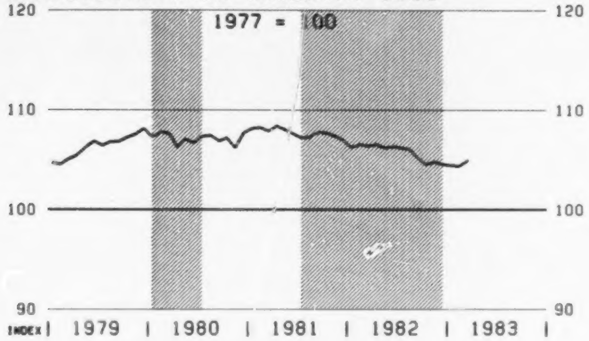
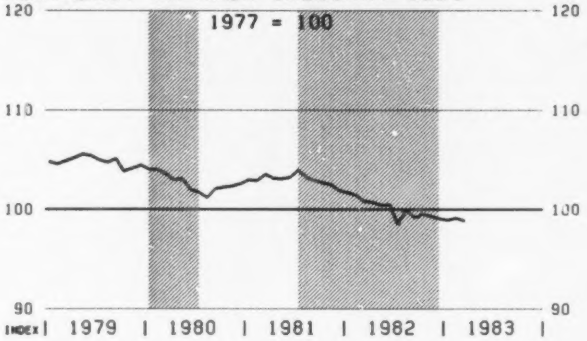
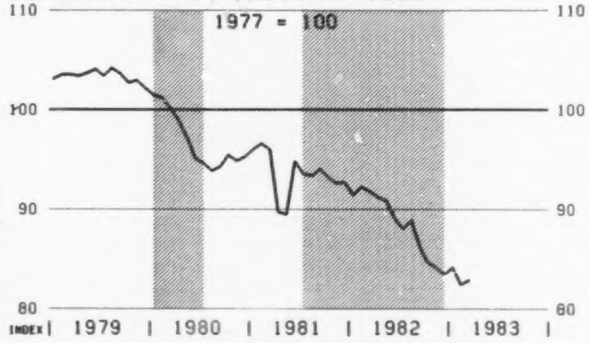
HARRISBURG AREA INDUSTRY JOBS



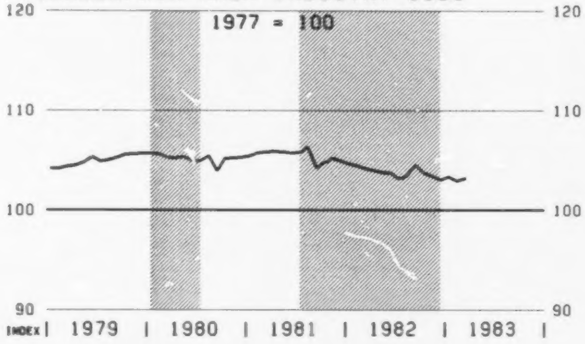
NORTHEAST PA AREA INDUSTRY JOBS



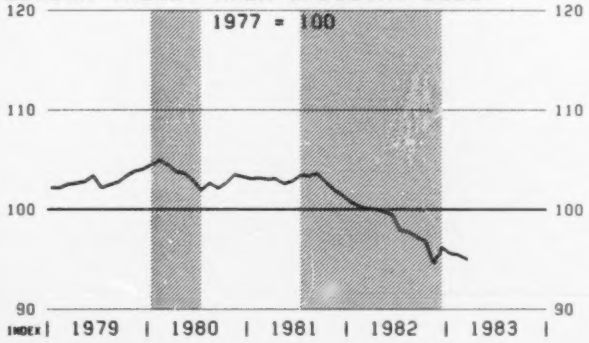
JOHNSTOWN AREA INDUSTRY JOBS



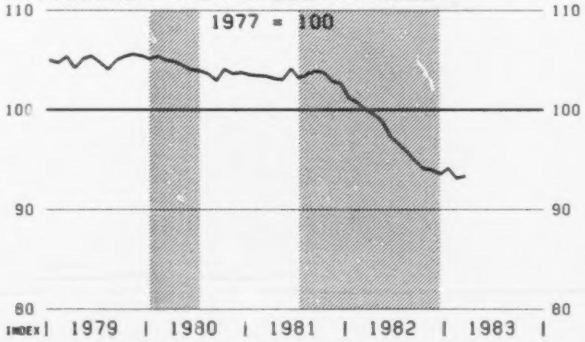
PHILADELPHIA AREA INDUSTRY JOBS



LEHIGH VALLEY AREA INDUSTRY JOBS



PITTSBURGH AREA INDUSTRY JOBS



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Pennsylvania Index of Leading Indicators — *Nelson J. Lacey* ... **SEE PAGE 4**
Rebirth of an Era — *Malcolm S. Forbes, Jr.* .... **SEE PAGE 6**

State's Economy Improves in April

April's indicators gave further evidence that the worst of the recession is over and that a recovery in the state's economy is on its way — or may have already begun. Total employment of Pennsylvania residents rose, unemployment declined, small job gains were experienced in most major sectors of the economy, and factory output, as measured by seasonally adjusted industrial electric power sales, rose for the fourth consecutive month.

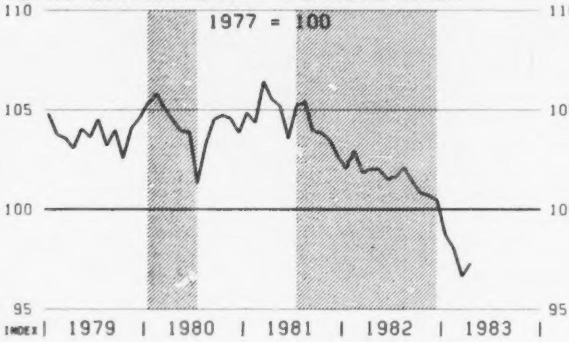
Although widespread, the improvements in the economy in April were not felt by all Pennsylvanians: 13.2 percent of the work force remained jobless. Furthermore, many conditions that made the general economic slowdown especially acute in Pennsylvania, such as foreign competition in steel mill products, still exist. These persisting conditions will require further structural changes in the state's economy and additional economic hardship for many Pennsylvanians.

The most encouraging news was the turnaround in the level of total employment. The seasonally adjusted number of employed Pennsylvanians increased 0.6 percent in April, after falling more than 8 percent since it peaked in August 1981. April's increase was the first in eight months.

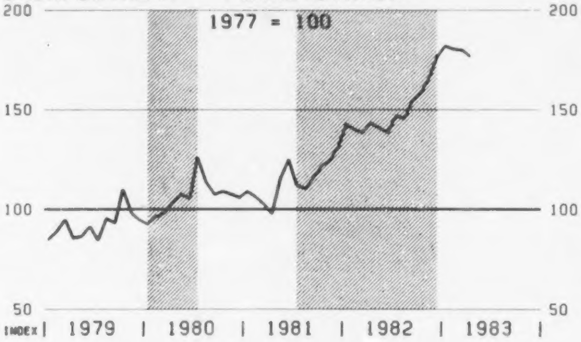
At the same time, the seasonally adjusted number of jobless residents declined for the third consecutive month. April's decrease of 1.6 percent followed declines of 0.8 percent in February and 0.3 percent in March.

Job levels rose in most major sectors of the economy, but the increases fell short of the normal seasonal gains for April. Therefore, the seasonally adjusted indexes for that

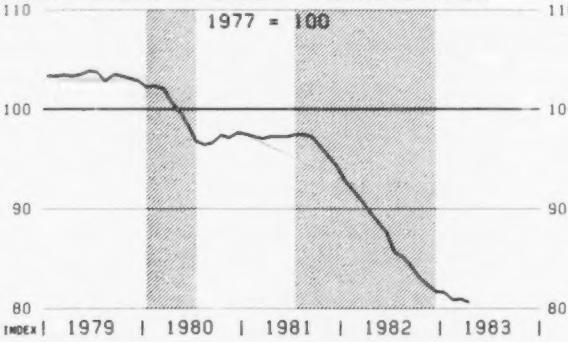
TOTAL EMPLOYMENT - PENNSYLVANIA



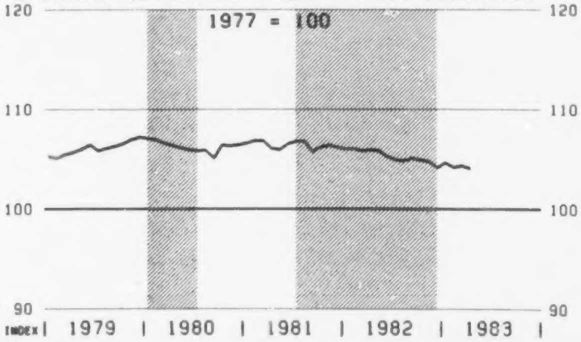
UNEMPLOYMENT - PENNSYLVANIA



MANUFACTURING JOBS - PENNSYLVANIA



NONMANUFACTURING JOBS - PENNSYLVANIA



PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **June 1983**

month were still heading down. The index for the level of jobs in all the state's nonfarm industries at 97.2 (1977 = 100) has not been so low since September 1975, but it was only one-tenth of a percentage point below February's level. Thus, if the decline has not yet halted (which will take another few months of data to determine), it definitely has slowed down.

In the manufacturing sector, both durable goods industries and nondurable goods industries gained jobs in April. However, neither major manufacturing group gained more than the normal seasonal amount. The seasonally adjusted index for wage and salaried jobs in durable goods factories fell to a new low of 75.9 (1977 = 100) from 76.2 in March. The index for nondurable goods factories stood at 88.1 in April — only one-tenth of a percentage point above the record low registered in February of this year.

However, more than seasonal increases in factory activity were reflected in payrolls and total person-hours worked. Seasonally adjusted levels of both of these measures increased 1.3 percent in April, after increasing 5.8 percent in March. Total weekly person-hours worked and inflation-adjusted payrolls fell almost 27 percent between August 1981 and February 1982.

In April, average weekly hours worked by production workers were at their highest seasonally adjusted level since August 1981. Soon employers will have to start recalling laid-off workers to further increase production.

The state's steel mills were pouring more steel in April. That month's 15 percent increase in the seasonally adjusted average daily production of steel was the fourth consecutive monthly increase. This measure has almost doubled since December but is still only half of levels prevailing before the two recent back-to-back recessions.

Furthermore, the state's increase in steel production was again proportionately greater than the increase for the nation as a whole. Nationally, the seasonally adjusted average daily production of steel increased 10.5 percent in April. As a result, Pennsylvania's percentage of total national production increased to 17.1 percent from 16.4 percent in March.

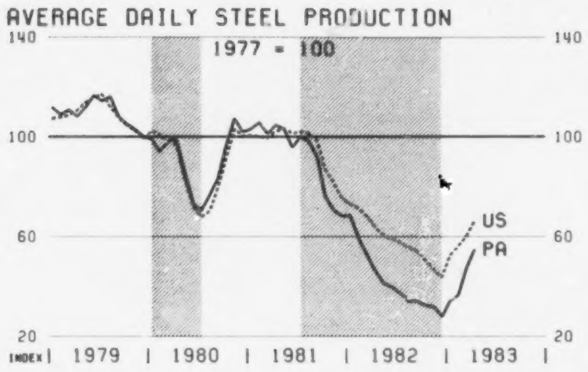
Economic Activity in Pennsylvania	1983		1982	Seasonally Adjusted Indexes (1977 = 100.) 1983		1982
	Mar.	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,405*	4,449	4,630	97.5	97.2	101.2
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,322*	3,360	3,420	104.4*	104.1	106.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,078*	1,083	1,204	81.0	80.6	89.7
Ave. wkly. hrs. worked by prod. workers	38.9	39.0	38.1	98.4	99.4	96.9
Total wkly. person-hours worked (mils.)	28.2*	28.5	31.6	74.0*	74.9	82.9
Total wkly. payroll (mil. dols.)	248.8*	251.6	269.9	111.4*	112.9	121.1
Steel production (thous. tons)	1,172*	1,249	1,057	48	55	46
Industrial electric power sales (mil. kwh)	3,306	3,276	3,457	86	89	94
Mining						
Anthracite coal (thous. net tons)	400	381	274	72	79	56
Bituminous coal (thous. net tons)	5,627	n.a.	6,416	75	n.a.	94
Construction contracts awarded (mil. dols.)						
Total	365.5	404.7	421.9*	98	127	129*
Residential building	145.6	200.7	161.7*	113	137	104*
Other building	141.0	140.3	159.9*	92	146	160*
Nonbuilding (utilities and public works)	78.9	63.6	100.3*	80	78	133*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,571	4,636	4,862	96.6	97.3	102.0
Unemployed						
No. of persons (thous.)	736	691	556	179.9	177.0	143.3
Rate (percentage of labor force)	13.9	13.0	10.3	—	—	—
Rate, seasonally adjusted	13.4	13.2	10.5	—	—	—
Civilian labor force, no. of persons (thous.)	5,307	5,327	5,418	103.1	103.4	105.2
Initial claims for unemployment benefits	160,664	162,547	181,145	130.1	123.0	133.0

	Urban Indexes (1967 = 100.) 1983		1982	Percentage Change	
Consumer Prices, all items	*Mar.*	*Apr.*	*Apr.*	*Month Ago*	*Year Ago*
U.S. city average	293.4	295.5	284.3	+0.7	+3.9
Philadelphia	283.0	283.5	275.1	+0.2	+3.1
Pittsburgh	n.a.	302.5	275.3	n.a.	+9.9
Northeast PA	278.9	n.a.	267.2†	n.a.	+4.4

Notes: Data on employment have been revised to first quarter 1982 benchmarks.

* = figure revised † =figure for March 1982 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST



Although we may see some further improvement in the state's share of steel production in the coming months, it is not expected to return to the 21-23 percent average of the 1970s. The focus of the nation's steel industry has shifted to the Great Lakes region where the plants are more modern and are closer to raw materials and to major markets. In addition, the mix of products of the Great Lakes plants is more concentrated in the markets that in recent months have shown the greatest strength, i.e., autos and other consumer durables. The Pittsburgh area product mix is more concentrated in heavy steel for plants and equipment — the demand for which is not expected to show any strength until the end of the year.

The increase in steel production has been accompanied by increases in industrial electric power sales. The seasonally adjusted level of sales rose 3.0 percent in April to its highest level since last July. April's increase followed increases of 0.8 percent in January, 0.9 percent in February, and 2.1 percent in March.

The state's mining industry, which is also closely related to the fortunes of the steel industry, has shown some improvement. The seasonally adjusted index for bituminous coal mined in the state rose to 74.6 (1977 =100) in March, the latest month for which there is data. In February, the index had dipped to 64.6 — its lowest non-strike level in more than two decades. In addition, anthracite coal production, which has been trending up in the past year, rose again in April when it stood at more than 40 percent above its low of a year earlier.

The number of mining jobs in the state rose in April, but not as much as expected for that time of year. Nevertheless, the seasonally adjusted index at 89.1 (1977 = 100) was considerably higher than January's low of 78.5.

The construction industry also gained fewer jobs than is normal for April. The seasonally adjusted index fell from 87.3 (1977 = 100) to 83.3 — its lowest level in 19 years. Nevertheless, we can expect stronger increases in the months ahead. The value of construction contracts awarded in April, which measures future construction activity, rose substantially in April.

The seasonally adjusted value of awards for residential buildings at $193 million was exceeded only twice before — in September and November of 1978. But much of this year's strength compared to earlier years is greatly reduced when the figures are adjusted for inflation. In constant 1977 dollars, the value of residential awards for the first quarter of this year was only 65 percent of 1979's first-quarter level (a strong quarter for these awards) but was 132 percent of last year's first-quarter level.

Nonresidential building awards also contributed to the large increase in the seasonally adjusted index for total contract construction awards. In recent years, March has been the most active month for commercial building awards, which then fell off in April. However, this year the value of these awards did not fall off in April but remained at about the same level as a month earlier, which resulted in a big jump in April's seasonally adjusted level. But in constant 1977 dollars, the first-quarter level of nonresidential building awards was trailing the first-quarter levels for 1980 and 1982 — both strong quarters for these awards. This year's level was 57 percent of 1980's level and 61 percent of 1982's level.

The service-producing sector of the economy also showed improvement in April. The same pattern of small but less than seasonal job gains took place in many of these industry groups. Increases in the job levels of the state's wholesale trade, finance, insurance, and real estate industries and in federal government positions were less than usual for a typical April. However, the service industry reached another all-time high in April, and transportation gained slightly more jobs than normal. At the same time, the job levels in public utilities and retail trade were unchanged after seasonal adjustment. Only state and local government lost jobs in April when an increase was expected.

Also increasing less than seasonally expected was the level of new claims for unemployment compensation. The level of initial claims signal job losses and increases in unemployment in the coming months. After adjustments for calendar variations, the level of new claims usually rise 11.8 percent in April. However, this year they rose only 5.6 percent. Therefore, the seasonally adjusted index for this measure fell to 123.0 (1977 = 100) from 130.1 in March and 133.0 a year ago. April's level was the lowest since last December.

— *Norma Gavin Pappas*

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The Pennsylvania Index of Leading Indicators: Development and Performance

by Nelson J. Lacey

To expand the analytical tools for assessing economic activity in the state, the Center for Research has developed a Pennsylvania Index of Leading Indicators (PILI). The basic idea behind such indicators is to combine individual measures which historically have risen before a recovery and have declined before a recession into a single measure of economic performance. Individual indicators, being more volatile, inherently contain the likelihood of underestimating or overestimating the future course of business activity. For example, it is possible for one indicator to show a sizable upturn or downturn while the others are showing mixed signals. Indexes fluctuate to a smaller degree because same period variability in the different components tend to balance out. The leading index for a particular month would show the net change or the overriding directional signal for that month.

Methodology

The methodolory of leading indicator forecasting was developed at the National Bureau of Economic Research (NBER). PILI closely follows the NBER methodology.[1] Briefly, it is calculated by computing monthly percentage changes for each series, standardizing these percentage changes to suppress the influence of highly volatile indicators, and then averaging all the individual standardized percentage changes into an index.

One major difference between PILI and the national index of leading indicators is that the former includes only three individual components as compared to 12 components in the latter. The selection of individual indicators is limited to those which have historically demonstrated the ability of leading the future course of business activity. Localized indexes are further restricted in three ways. First, certain nationwide indicators, such as the index of 500 common stocks and money balances (M1), simply do not apply on a state basis. Second, the data used for certain national leading indicators are not collected on a timely basis for the state. These include changes in total liquid assets, net changes in inventories, contracts and orders for plant and equipment, and new orders for consumer goods and materials. Third, some state indicators are products of surveys which have a smaller sample size for state estimates than the national estimates or which are smaller in scope compared to nationwide surveys. These surveys, while sufficient in a statistical sense, affect the reliability of the state indicators. The measure of net business formation used in the national leading index is an example.

For PILI, three individual components are included — new claims for the unemployment benefits, the average length of the factory workweek, and the value of awards for residential building construction contracts. Initial unemployment claims are representations of the marginal adjustment to employment. Workers are laid off when business demand drops, causing initial claims to rise. The reverse is true when demand picks up. Average weekly hours worked by production workers in manufacturing industries is considered a leading indicator because the uncertainty of the persistence of an expansion or a contraction results in firms adjusting to initial changes in demand by varying the number of hours worked by its

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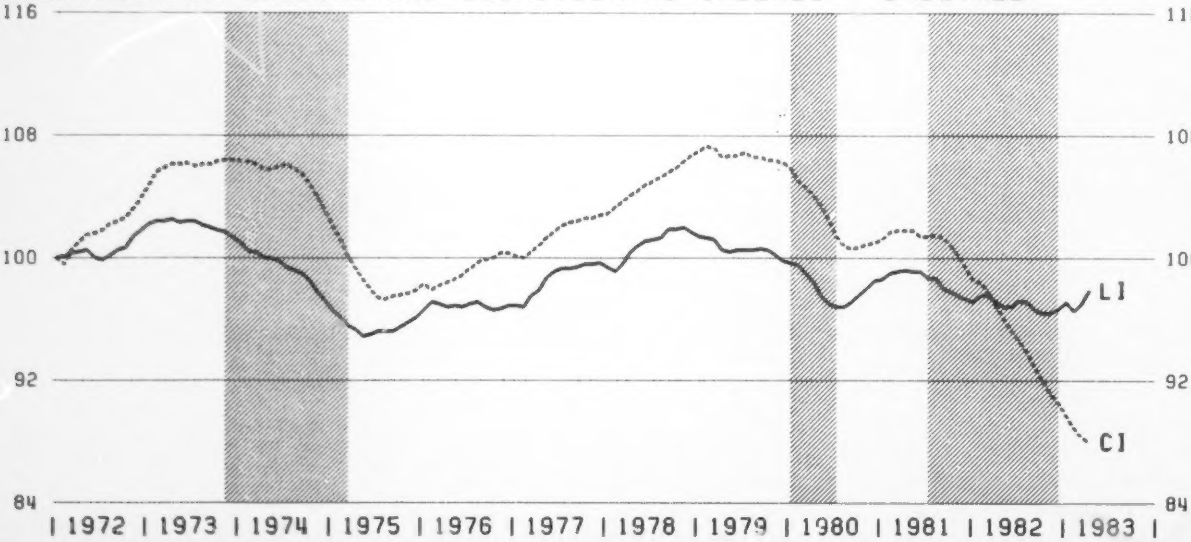
[1] For an excellent discussion on the NBER methodology, see Victor Zarnowitz and Charlotte Boshan, "Cyclical Indicators: An Evaluation and New Leading Indexes," *Handbook of Cyclical Indicators*, a supplement to *Business Conditions Digest*, (Washington, D.C.: U.S. Department of Commerce, Bureau of Economic Analysis, May 1977).


PENNSYLVANIA LEADING AND COINCIDENTAL INDEXES - SMOOTHED

employees, which is a less costly alternative to laying off workers. The final indicator included in PILI, the value of residential contract construction awards, represents commitments to future construction. The number of awards will increase (decrease) before an increase (decrease) in construction activity. While this indicator has historically been a good signal of future economic activity, its major weakness lies in its volatility. For this reason, extreme values are isolated and replaced before PILI is calculated.

The Pennsylvania Index of Coincidental Indicators

The performance of PILI can be assessed by its consistency in anticipating major turning points in the state's economy and by how far in advance it signals these turning points. To identify the turning points in current aggregate economic activity, the Center for Research developed an index of coincidental indicators for the state.

Three individual measures were combined in the Pennsylvania Index of Coincidental Indicators (PICI). The first component, total employment, represents changes in the number of people working for pay in a particular area and is a comprehensive and significant indicator of changes in the state's economic health. The second component is a measure of wage and salaried jobs in manufacturing. This indicator is sensitive to movements in the state's economy because consumers and businesses can time purchases of many manufacturing products in response to cash flow situations. The final component, real weekly earnings of manufacturing production workers, is a measure of purchasing power. Low earnings may delay purchases, which will then stabilize recovery. On the other hand, high earnings provide an impetus for spending, which keeps an expansion going. The only individual indicator omitted from PICI which is included in the national index of coincidental indexes is manufacturing and trade sales. This measure is not available for the state on a timely basis.

Performance

Major turning points in the economy are defined as moments in time when a clear signal of an upturn or downturn has appeared. For the nation as a whole, the official declaration of the start or the end of a recession is done through the consensus opinion of economists who watch for key signs of a recovery or recession. The rule of thumb for such a declaration is a directional change in real GNP for at least two successive quarters. The decision rule used here for identifying major turning points in both PILI and PICI is a directional change for five or six straight months. This rule is long enough to allow signals to materialize but at the same time reduce the probability of false signals.

Whether PILI anticipates the major turning points in current aggregate economic activity can be easily determined by a graphical comparison of the leading and coincidental indexes. To reduce the volatility and increase the interpretability of the comparison, we have smoothed both indexes with a simple exponential smoothing scheme.

The graphical comparison displays an encouraging relationship between the indexes. The application of the turning point rule over the period from 1972 to the present shows three peak periods and two trough periods in both PILI and PICI. (See table.) PILI declines from peak values and rises from trough values in advance of the corresponding peaks and troughs in PICI at each major turn. The leading index has provided an early downturn warning by as much as 13 months while upturns were given much less warning. This shorter warning at the upturn is consistent with results from the national indexes. In the last 30 years, the national leading index has produced average lead times of about 11 months at peaks and three months at troughs.

Turning Point	PILI	PICI	Number of Months PILI Anticipated Turns in PICI
Peak	June 1973	July 1974	13 months
Trough	May 1975	August 1975	3 months
Peak	November 1978	September 1979	10 months
Trough	August 1980	September 1980	1 month
Peak	April 1981	August 1981	4 months

Thus, a consistent pattern emerges. Each major turn in the leading index has been followed by a major turn in the coincidental index. In addition, during the period studied, the leading index has never given a false signal — i.e., indicated a major turn in current aggregate economic activity which never materialized.

So what do the indexes indicate for the current and near future periods? The leading index has demonstrated an erratic pattern in recent months. No discernable trend has developed although it did rise in both March and April. The coincidental index has declined steadily from mid-1981 to the present, but the downward slide appears to have slowed significantly.

In sum, the indexes are showing initial signs of a recovery. But three to four more months of data are needed before we will know whether these signs indicate a definite trend or just another erratic movement upwards. We will be watching the indexes closely over the next few months to see if these signs of recovery continue. ■

Rebirth of an Era: Why America Will Regain Economic Supremacy

The following article was excerpted from a presentation by Mr. Malcolm S. Forbes, Jr., President and Chief Operating Officer of Forbes, Inc., and Deputy Editor-in-Chief of Forbes *magazine at the 1983 William Elliott Invitational Conference, April 27, 1983, sponsored by the Department of Insurance and Real Estate of the College of Business Administration, The Pennsylvania State University.*

There has not been a period since the 1930s or 1940s where there has been so much uncertainty about where we are and where we are going. My own feeling is that we are in one of those periods of transition that hits the country every 40 or 50 years, and that this transition will rival in political and economic importance the transition of FDR's New Deal in the early 1930s.

These periods are never very good to live through. They are full of uncertainty, anxiety, false starts, and deadends. All of our traditional guideposts suddenly become obsolete. It is only when the transition is over that the historian can look back and say with certainty what happened, when it happened, why it happened, who was affected, and how.

I believe we are nearing the end of this period of transition, which began a few years ago, and that the shocks of what we have been going through have blinded us to two trends beneath the surface. These trends are setting the stage for a period of productivity and prosperity that will rival that of any comparable period in the past.

The first trend is technological. The catalyst for the technological changes we have been experiencing is the microprocessor. The microprocessor is changing the way we use labor, capital, and materials. It is doing to manufacturing what manufacturing did to the farm industry 60 or 70 years ago. The tractor, herbicides, and hybrid seeds revolutionized agriculture in this country. Today 2.5 million farmers in this country produce three times as much food as 25 million farmers did 75 years ago. Agriculture did not decline even though the labor input in agriculture dropped dramatically and even though the way agriculture is done substantially changed. Agriculture is still the most efficient industry we have in this country, but it underwent an enormous change. Microprocessors are doing the same thing in the manufacturing area.

An example is what we see in our offices. All of those terminals that are popping up everywhere — not only in the offices but in the classrooms as well — are producing enormous change. We are seeing enormous productivity gains in the service sector where many experts thought productivity was impossible.

You see it in the factories as well with robotics, which are much more efficient and much cheaper than human labor. People regret the passing of the blue-collar worker on the assembly line, but it was only 10 or 12 years ago that our mass media was deploring the inhuman conditions of working on an assembly. Now we are beginning to see the glorification of the blue-collar manufacturing worker. We are making him a myth the way we did the old yeoman farmer of Jeffersonian times.

Despite the unemployment that we are creating temporarily now, these changes in the way we do things and the way we use things end up creating new industries, new professions, and millions of new jobs. The passing away of the old assembly line is not a sign of American decadence, it is a sign of innovation, creativity, and change that is necessary if we are to get better paying jobs.

Some people do not benefit from these changes. During the 1920s when the tractor came along, many casual farm laborers could no longer work on the farms; they had to go find jobs elsewhere. Most did, but a handful did not. The same thing is happening in Detroit and Pittsburgh. Some of these blue-collar workers will not be able to make the transition. But for society as a whole, it is going to be an enormous advance.

Seventy years ago, the automobile was an exciting, innovative industry on the cutting edge of progress and technology. But what did it do? It destroyed jobs for tens of thousands of blacksmiths, carriage makers, buggy whip manufacturers, horse breeders and trainers, and those who ran the thousands of livery stables we had around the country. The automobile had an enormous impact — it upset millions of lives, but it also created millions of new higher paying jobs. You had auto manufacturing, dealers, shippers, road builders, parts makers, and suppliers.

So even though manufacturing employment is going to drop down dramatically in the next two decades, manufacturing is not going to disappear. We still will be manufacturing just as we are producing food. But the way we manufacture is going to change.

The second, more immediate transition is in what you might call the economic environment. Contrary to what some experts would tell you, we are not entering the economic equivalent of an ice age. We are coming out of an ice age.

A little before and during the inflationary 1970s, we had an environment where you made more money by putting assets into nonproductive things, like gold, silver, jewelry, raw land, and comic books, than you did by putting it in the stock market or the bond market or in your savings account. We had an environment where being unproductive you did better than trying to be productive. Then between late 1979 and early mid-1982, we went to the opposite extreme, where you did very well by clutching onto your cash. You did better by putting your money to work for 30 days than for 30 years. You got 15 or 16 percent just for holding your money on a day-to-day basis. In short, we had an environment where lazy money did better than working money. For the first time in a decade and a half, it appears that we are about to enter an environment where you get ahead by sheer hard work.

Why did we have this period of great inflation followed by skyrocketing interest rates and unemployment? Basically, it is because financial experts and economists were taught to see the economy as an engine that was not going to work unless it had fuel and that fuel had to come one way or the other from Uncle Sam. This way of looking at the economy came out of the economic holocaust of the 1930s. The Great Depression was seen by experts at the time as a failure of free enterprise. As a result of the depression, it was believed that you could not leave the economy to its own devices, that unless the government played a very heavy role in regulating the economy, it would simply fall by the wayside.

That was a gross misreading of the history of that period. What brought on the Great Depression was not the stock market crash. It was not a failure of laissez-faire free enterprise. It was that, in 1929, the U.S. and other industrial countries began a trade and currency war. The Smoot-Hawley tariff started a devastating trade war which led to currency wars and to very destructive beggar-thy-neighbor policies. These policies turned an imperceptible American recession into a deep, protracted global depression.

After World War II, our policymakers realized the lessons from the purgatory of the 1930s. They realized that you needed a stable money system. They put in something called the Bretton Woods International Monetary System. Basically, currencies were tied to the dollar, and the dollar was tied to gold at a fixed price. We had it from the late 1940s up until the late 1960s. It worked very well. We had great growth without inflation — something economists today think is impossible.

At the same time, they realized the destructiveness of beggar-thy-neighbor trade policies. So they liberalized trade through things, such as the General Agreement on Tariffs and Trade. They also realized that you need security. So the U.S. assumed its military and political obligations around the world.

Then near the end of the 1960s, the people who were taught that government has to have a heavy hand one way or the other in the economy reached policymaking positions — not only in this country but in western Europe and in many other countries around the world. We began to lose sight of what made possible the great boom of the 1950s and 1960s. In 1968, we gratuitously short-circuited the Bretton Woods system. In its place, we tried Keynesianism, wage and price controls, and, in the last two and a half years, Milton Friedman's monetarism. Nothing that we have tried since worked as well.

Before 1968, it took two dollars of total debt — business, government, and individual debt — to generate one dollar of real growth in this country. Since 1968, it has taken 10 dollars of debt to generate one dollar of real growth. In the past four years, the net indebtedness of this economy has gone up one and a half trillion dollars, and we have had no growth to show for that enormous increase in debt.

So what is the government's role? The true role of government is to create an environment that encourages people to produce more, to save more, and to innovate more. Nothing more, nothing less. Innovation does not take place in a vacuum. You must have conditions conducive to creativity, risk taking, and capital formation.

Sensible monetary policy is number one. The basic problem with the economy today is that our Federal Reserve does not know whether it is printing too much money, too little money, or just the right amount. They are without a compass. It would be as if you tried to pilot a ship without a compass or fly and land a plane in fog without instruments. You are going to get in trouble. We have gotten in trouble.

The solution is to go back to a gold-based Bretton Woods system. Without a Bretton Woods type of gold-based system, you never get sensible interest rates. You never get the kind of economic growth that we have had in periods of the past.

Number two is a tax code that does not punish success. Income taxes are a price for working. If they are too high, they discourage productive work. That is what happened in the late 1970s, and we have been paying a price for it. The more you cut income tax rates, the better the economy will do and the more revenues the government will get. Reagan made a stab at it in 1981, but he did not go far enough.

So we need a sensible monetary policy and a sensible incentive-oriented tax code. We also need regulation that does not punish business but actually does what it is supposed to do, and that is sensibly regulate, and we need a budget that can come into balance without raising taxes.

If you look at the changes that are taking place, at the extraordinary ferment in our laboratories and garages in terms of technology and innovation, it is not too outlandish to suggest that, if we straighten ourselves out on monetary policy, the rest of this decade and the 1990s could be one of our most fruitful and productive periods. I believe that six to eight years down the road when you go into the bookstore, instead of seeing books about Theory Z or the wonders of Japanese management, you will once again see books written about something we have not heard about in a long time, and that is Yankee ingenuity. When all is said and done, the American economy will confound the critics and the skeptics and take its place once again as the leader and the inspiration of the civilized world. ■

Pennsylvania Trails Nation in Income Growth

Total personal income in Pennsylvania grew 10.3 percent in 1981 to over $1.9 million. However, it grew considerably slower than the 11.7 percent average for the nation. Furthermore, the growth in personal income was approximately the same in the state's nonmetropolitan counties as in its metropolitan counties. This is in contrast to the higher growth in nonmetropolitan areas compared to metropolitan areas in the nation as a whole.

Personal income is a measure of the dollars available to private individuals and families in a year. Total personal income includes transfer payments; dividends, interest, and rents; and labor and proprietors income net of contributions for social insurance.

Every SMSA in Pennsylvania had a slower growth rate in total personal income than the average of all SMSA's in the nation. But only Johnstown had a growth rate below the 8.5 percent national increase in consumer prices, measured by the implicit price deflator for personal consumption expenditures. Johnstown's 7.5 percent rate of growth in personal income represents a significant decline in real income.

Because of a 0.2 percent decline in the state's population in 1981 compared to a 0.9 percent increase nationally, Pennsylvania's per capita personal income remained at 99 percent of the national level that year. Furthermore, the same five metropolitan areas had per capita income greater than the national average in 1981 as in 1980. These were Allentown-Bethlehem-Easton, Harrisburg, Philadelphia, Pittsburgh, and Reading. All of the other metropolitan areas in the state had per capita incomes lower than the national average. No area's per capita income as a percentage of the national average changed more than two percentage points between 1980 and 1981.

In a ranking of per capita personal incomes among the nation's 305 SMSA's, the highest ranked SMSA in Pennsylvania was Pittsburgh. With a per capita income of $11,304 in 1981, Pittsburgh ranked 57th among the nation's SMSA's — one place above the position it held in 1980. The lowest ranked SMSA in the state was State College. This area's per capita income of $7,765 ranked it 289th — eight places below its 1980 ranking. In all, six SMSA's in the state climbed in the rankings while six others fell, and two areas remained at their 1980 rank. However, the average rise was five places while the average drop was 10 places. — *Norma Gavin Pappas*

Total and Per Capita Personal Income by SMSA, 1980-81

	Total Personal Income			Per Capita Income			
	Millions of Dollars		Percent Change	Dollars		Percent of National Average	Rank in SMSA's
	1980	1981	1980-81	1980	1981	1981	1981
United States	2,154,049	2,406,545	11.7	9,483	10,495	100	—
Sum of SMSA counties	1,731,835	1,932,024	11.6	10,129	11,188	107	—
Sum of non-SMSA counties	422,214	474,521	12.4	7,516	8,382	80	—
Pennsylvania	111,594	123,057	10.3	9,384	10,370	99	—
Sum of SMSA counties	95,032	104,807	10.3	9,768	10,769	103	—
Sum of non-SMSA counties	16,562	18,250	10.2	7,700	8,534	81	—
Allentown-Bethlehem-Easton	6,269	6,878	9.7	9,821	10,767	103	85
Altoona	1,024	1,115	8.9	7,495	8,243	79	268
Erie	2,440	2,662	9.1	8,705	9,485	90	195
Harrisburg	4,383	4,861	10.9	9,783	10,734	102	90
Johnstown	2,124	2,283	7.5	8,041	8,689	83	248
Lancaster	3,393	3,768	11.1	9,324	10,324	98	119
Northeast PA	5,262	5,779	9.8	8,212	9,053	86	225
Philadelphia	47,833	52,926	10.6	10,132	11,158	106	64
Pittsburgh	23,121	25,459	10.1	10,218	11,304	108	57
Reading	3,084	3,426	11.1	9,843	10,856	103	82
Sharon	1,101	1,226	11.4	8,559	9,609	92	187
State College	807	888	10.0	7,133	7,765	74	289
Williamsport	954	1,046	9.7	8,045	8,949	85	235
York	3,420	3,780	10.5	8,930	9,790	93	167

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1983.

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More Signs of Recovery in May

There is little doubt that a full-fledged economic recovery is in progress in the nation and that it compares favorably with the initial stages of previous cyclical rebounds. National economic indicators show economic activity gaining momentum, month by month, since the beginning of the year. A second month of generally improving economic conditions suggests that this recovery has caught on in Pennsylvania.

The Commerce Department's recently released flash estimate of a robust 6.6 percent increase in real gross national product—the value of the nation's goods and services adjusted for inflation—was only one in a series of indicators released last month that show a considerably stronger recovery than had been predicted. Figures for May show strong gains in retail sales, industrial production, and personal income growth for the nation. At the same time, national unemployment levels edged down while nonfarm-payroll employment rose sharply.

May's indicators for the state suggest the Pennsylvania economy has also been rebounding in recent months. The Center's Pennsylvania Index of Leading Indicators rose for the fifth time in six months. (See June's issue for a discussion of the development of this index.) Five increases in a six-month period in this measure have successfully predicted recoveries from earlier recessions with a lead of one to three months. The companion index of coincidental indicators rose in May for the first time in 20 months.

Among the state's individual indicators, total employment was the most encouraging. The strong 2.7 percent increase in the seasonally adjusted level of total employment in May followed April's small 0.6 percent increase.

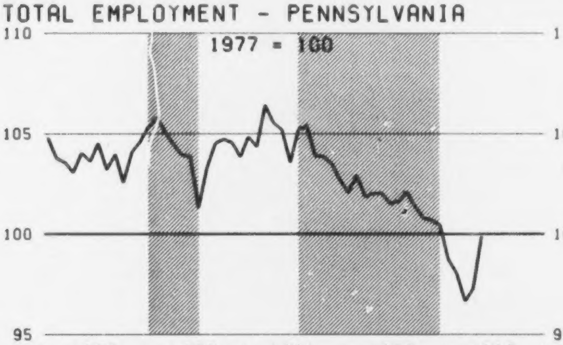
The rise in employment was accompanied by a sharp decline in unemployment. The seasonally adjusted unemployment rate for the state stood at 12.6 percent of the civilian labor force—one whole percentage point below January's high of 13.6 percent.

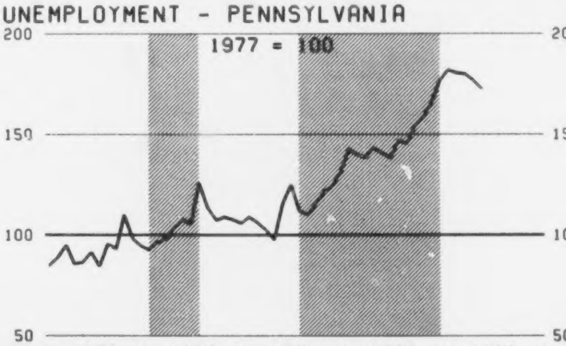
Furthermore, new claims for unemployment compensation were at their lowest level since October 1981. May's 4.6 percent decline in the seasonally adjusted number of initial claims followed declines of 5.5 percent in April and 1.9 percent in March. The seasonally adjusted level has fallen 22.6 percent from the all-time high registered in October.

The improved employment conditions were widespread. All major nonagricultural industry groups in the state, except construction, experienced more than seasonal increases in total payroll employment. An unseasonal decline in the job level took place in the state's construction industry.

Despite the pervading improvements, most of the job gains in the state were modest, reflecting employers' continued caution. Nevertheless, strong national sales figures for the months of April and May should boost business confidence and subsequently lead to more hiring in the coming months.

May's 0.8 percent increase in the seasonally adjusted level of jobs in the state's manufacturing sector is not enough to declare a turnaround in this industry group. That month's increase was only the second since August 1981; the seasonally adjusted factory job level had increased 0.1





PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University July 1983

percent in February. But a definite leveling off has occurred in these industries, which appear to be bouncing along the bottom of the trough waiting for a marked increase in orders.

The slightly higher employment levels in the state's factories, together with continued relatively long workweeks, helped bring about the third consecutive monthly increase in factory payrolls and total person-hours worked by production workers. These seasonally adjusted indicators rose 1.5 percent and 1.1 percent, respectively, in May from a month earlier.

The average length of the factory workweek was unchanged after seasonal adjustment in May. But it had leaped 1.8 hours in March and rose another 0.4 hours in April. Hours worked per week in May were still more than in any month since August 1981.

The increase in the state's nonmanufacturing job level was even less strong in May. However, as can be seen in the graphs, the recession had a differential effect on the various industry groups within this sector. It has had disastrous effects on employment levels in the mining and transportation industries, both of which are closely linked to the fortunes of the state's steel mills, and in the construction industry. But while the former two industry groups have begun to pull out of the recession's mire, the construction industry was still losing jobs in May. On the other end of the scale, is the services industry, which the recession left virtually untouched. The job level in this industry group reached another new high in May and accounted for 23.8 percent of all nonfarm industry jobs that month, up from 21.3 percent in July 1981 at the start of the recession.

Pennsylvania's nascent recovery is taking on quite a different look from the nation's. The building boom, that, according to the Commerce Department's update of its "1983 U.S. Industrial Outlook," is leading the nation's economic recovery, is not evident in the state. In May, employment in the construction industry was at its lowest level in almost 20 years while the value of contract construction awards for the first five months of this year was

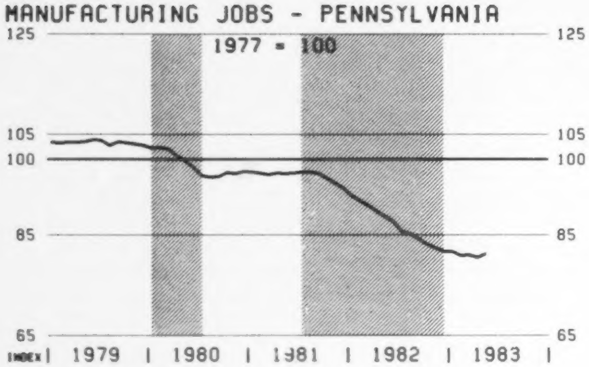
Economic Activity in Pennsylvania	1983 *Apr.*	1983 *May*	1982 *May*	Seasonally Adjusted Indexes (1977 = 100.) 1983 *Apr.*	1983 *May*	1982 *May*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,444*	4,486	4,642	97.1*	97.4	100.8
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,357*	3,388	3,445	104.0	104.1	105.8
Manufacturing						
No. of wage and salaried jobs (thous.)	1,082*	1,092	1,191	80.5*	81.2	88.6
Ave. wkly. hrs. worked by prod. workers	39.0	39.1	38.2	99.4	99.4	97.2
Total wkly. person-hours worked (mils.)	28.5*	28.9	31.2	74.8*	75.6	81.5
Total wkly. payroll (mil. dols.)	251.3*	255.7	267.2	112.7*	114.5	119.6
Steel production (thous. tons)	1,249	1,238	934	55	55	42
Industrial electric power sales (mil. kwh)	3,276	3,274	3,197	89	92	90
Mining						
Anthracite coal (thous. net tons)	381	341	329	79	72	69
Bituminous coal (thous. net tons)	4,953	n.a.	6,416#	75	n.a.	94#
Construction contracts awarded (mil. dols.)						
Total	404.7	391.8	294.2*	127	98	74*
Residential building	200.7	206.6	110.8*	137	118	65*
Other building	140.3	87.5	81.3*	146	77	76*
Nonbuilding (utilities and public works)	63.6	97.7	102.1*	78	89	90*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,636	4,769	4,874	97.3	99.9	102.0
Unemployed						
No. of persons (thous.)	691	659	529	177.0	172.8	140.8
Rate (percentage of labor force)	13.0	12.1	9.8	—	—	—
Rate, seasonally adjusted	13.2	12.6	10.3	—	—	—
Civilian labor force, no. of persons (thous.)	5,327	5,428	5,402	103.4	104.8	105.0
Initial claims for unemployment benefits	162,547	143,278	156,708	123.0	117.3	135.7

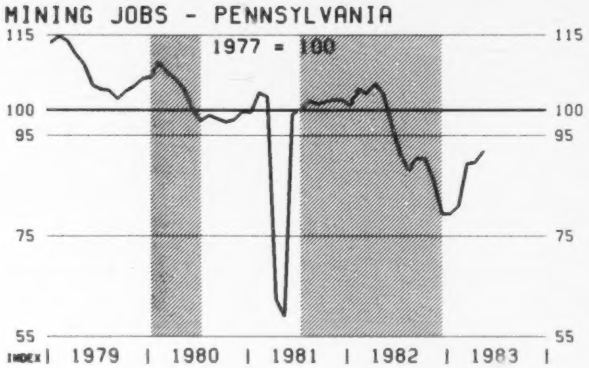
Consumer Prices, all items	Urban Indexes (1967 = 100) 1983 *Apr.*	1983 *May*	1982 *May*	Percentage Change *Month Ago*	*Year Ago*
U.S. city average	295.5	297.1	287.1	+0.5	+3.5
Philadelphia	283.5	284.3	275.1	+0.3	+3.3
Pittsburgh	302.5	n.a.	275.3#	n.a.	+9.9
Northeast PA	n.a.	281.7	270.2	n.a.	+4.3

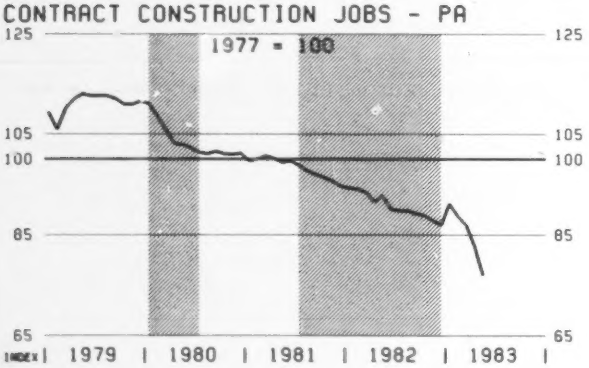
Notes: Data on employment have been revised to first quarter 1982 benchmarks.

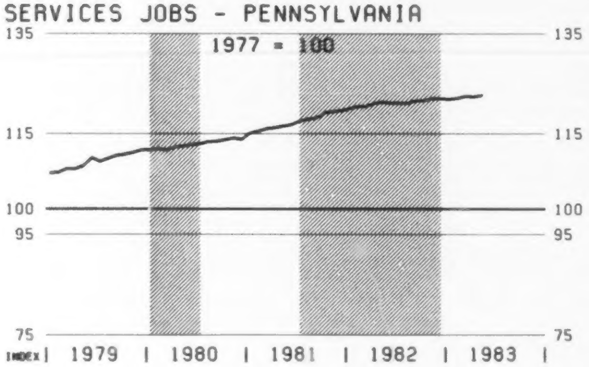
* = figure revised # = figure for April 1982 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST









almost 17 percent behind the depressed level of the 1982 period. In contrast, nationwide construction employment has been increasing more than the usual seasonal amount in recent months while the total value of new construction contracts for the first five months of this year was 21 percent ahead of the 1982 level.

The only bright spot in the state's construction figures was in the value of residential building awards. Despite falling back somewhat in May from April's high, the value of these awards in the first five months of the year was almost 43 percent ahead of last year's five-month total. Nonresidential building awards in the first five months of the year were 27 percent below the year-earlier figure while nonbuilding awards were only half of the 1982 level.

In the same Commerce Department report, the outlook for the steel industry was revised downward. Although the steel-industry recovery was said to be underway, it has not been as rapid as expected.

Steel production in the state leveled off in May, as predicted, after having almost doubled in the first four months of the year. Total U.S. production rose another 1.7 percent in May after seasonal adjustment, bringing the total increase from the industry's low in December to 54 percent. As a result, the state's share of national steel production fell back to 16.7 percent in May from April's 17.1 percent.

Demand for the state's steel mill products—largely heavy steel for plants and equipment—remains flat. New orders for nondefense capital goods, considered a barometer of future plant and equipment spending, declined 3.6 percent in May, after rising 12.8 percent in April. Most of April's increase reflected orders for equipment, such as computers and robots, with little steel content. The short-run outlook for business-construction spending remains weak. Businesses are constrained by still high interest rates, low use of current production capacity, surplus office space, and uncertainty about the effect of high federal budget deficits.

Finally, sales of electricity to industrial users were also unchanged from a month earlier. The usual seasonal decline in the use of electricity did not occur. Therefore, the seasonally adjusted index for this measure rose for the fifth consecutive month. In May, it stood at its highest level since April 1982.

—*Norma I. Gavin*

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Jobless Rates Continue to Vary

All Groups Worse Off in the First Quarter

While the seasonally adjusted unemployment rate dropped slightly for the nation as a whole in the first quarter of the year, the state's rate continued to climb, giving credence to the prediction that Pennsylvania would trail the nation in recovery from the recession. The seasonally adjusted jobless rate for the state stood at 13.4 percent in the first quarter, well above the 10.3 percent for the nation.

Differential rates of unemployment were evident not only between Pennsylvania and the nation but also among different population groups within the state. The discrepancy between the male and female unemployment rates continued to widen in both the state and the nation. The rate for Pennsylvania males jumped to 17.5 percent of the male labor force from 13.2 percent in the quarter earlier while the rate for females fell slightly to 9.7 percent from 9.9 percent. National unemployment rates for both males and females rose last quarter, but the rate for males rose more than the rate for females. Thus, the reversal in the traditional trend for female rates to exceed those of males continued into the new year.

At the same time, total employment levels in both the state and the nation fell from a quarter earlier for all population groups, except Pennsylvania teenagers. However, the percentage declines in the state's employment levels were three times those for the nation as a whole.

Labor participation was also down for all population groups, except blacks, in the first quarter. The largest decrease was seen among teenagers. This may reflect a higher number of youths reluctant to enter the labor force because of the fewer opportunities caused by the recession.

Youth labor force participation is expected to remain below year-earlier figures this summer. During the summer, the teenage labor force typically increases sharply as students vie for temporary summer work and as high school graduates take or look for regular, permanent jobs.

—*Norma I. Gavin*

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percentage Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	1983 I (in thousands)	Over Quarter	Over Year	1983 I	1982 IV	1982 I	1983 I	1982 IV	1982 I
Pennsylvania									
Total, seasonally adjusted	4,681	-3.5	-4.3	13.4	12.2	10.5	59.1	60.3	59.9
Total, unadjusted	4,595	-6.0	-4.6	14.3	11.8	11.1	58.6	60.5	59.4
Male	2,596	-6.8	-4.9	17.5	13.2	13.1	72.8	73.4	73.5
Female	1,999	-4.9	-4.3	9.7	9.9	8.5	45.9	48.7	47.0
White	4,220	-6.3	-5.2	13.0	10.9	9.8	58.7	61.0	59.9
Black	335	-6.9	-2.8	28.1	21.3	26.2	56.8	55.7	53.7
16-19 years old	330	15.8	-17.9	24.4	24.8	25.6	43.4	48.7	48.3
United States									
Total, seasonally adjusted	9,090	-0.0	-0.0	10.3	10.7	8.8	63.7	64.1	63.6
Total, unadjusted	7,507	-1.9	-1.9	11.2	10.3	9.5	63.3	64.0	63.6
Male	4,512	-2.2	-2.2	12.1	10.6	10.0	75.4	76.1	75.8
Female	2.995	-1.4	-1.4	10.0	9.8	8.8	52.3	53.1	51.8
White	5,921	-2.0	-2.0	10.0	9.1	8.5	63.6	64.3	63.6
Black	9,050	-1.4	-1.4	20.6	19.9	17.8	60.6	61.2	59.9
16-19 years old	5,617	-8.0	-8.0	24.6	24.1	23.5	45.1	51.6	49.4

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

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State's Recovery Slows in June

Most economic indicators for the state in June were disappointing after their strong showing in May. June's figures show an economy making slow progress from the worst recession in the post-World War II era.

Nevertheless, stronger gains are expected for the remaining months of the summer. The Center's Pennsylvania Index of Leading Indicators rose a substantial 1.3 percent in June. Improvements in all three components of the index contributed to the rise. These are new claims for unemployment compensation, average weekly hours worked by production workers in the state's manufacturing industries, and the value of residential construction contracts awarded. June's rise was the fourth consecutive rise and the sixth in seven months.

The index of coincidental indicators also rose in June. The 0.5 percent rise was the second in as many months and came from increases in total employment of residents and real weekly earnings in the state's factories. The third component, the factory job level, fell slightly after seasonal adjustment.

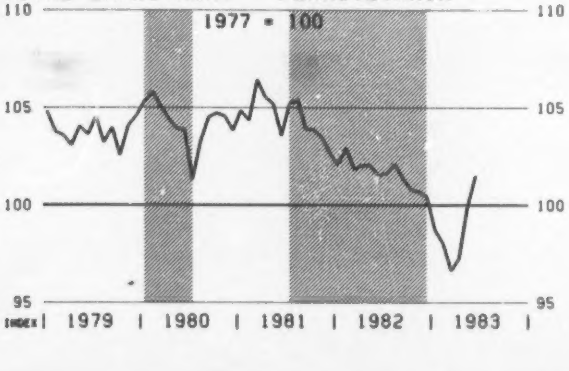
Despite the rise in the leading and coincidental indexes in June, not much of the "vigor" of the national economic recovery, which is coming about at a faster pace than predicted but at the average rate for postwar recoveries, was evident in the state. Little progress was made in job levels in the state's nonfarm industries and in industrial production, as reflected in industrial electric power sales, while job levels and industrial output both increased significantly in the nation.

Seasonally adjusted job levels in Pennsylvania's nonfarm industries were essentially unchanged from a month earlier. The number of wage and salaried jobs has been cut back 6.6 percent since July 1981 at the beginning of the long recession. That is more than double the contraction in job levels for the nation as a whole. Furthermore, since December, the nation's nonfarm industries have expanded their work force by a seasonally adjusted 1.1 million workers, or 39 percent of the number laid off during the recession. In contrast, the work force in Pennsylvania's nonfarm industries in June was 0.4 percent lower than it was in December.

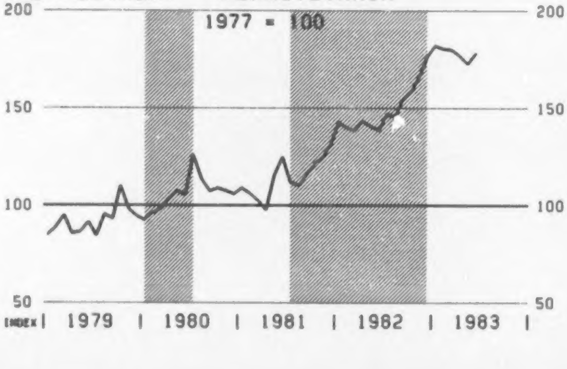
Industrial electric power sales, which reflect short-run changes in industrial output, show that the state's industries did not lose any further ground in June, but that they also did not make any sizable gains; the seasonally adjusted index for this measure was little changed from a month earlier. Nevertheless, it was at its highest level in 14 months.

Differences in the rates of recovery between the state and the nation were clearly evident in the construction industry. The seasonally adjusted number of contract construction jobs in the nation continued to fall through the first quarter of the year but rose in each month of the second quarter. At the end of the quarter, it was slightly higher than it was a year earlier. In Pennsylvania, on the other hand, June was the first

TOTAL EMPLOYMENT - PENNSYLVANIA



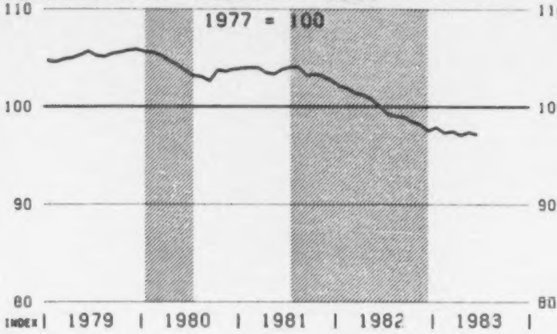
UNEMPLOYMENT - PENNSYLVANIA



PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University August 1983

PENNSYLVANIA INDUSTRY JOBS



month in which contract construction jobs increased more than the usual seasonal amount. Furthermore, the job level in these industries was still more than 10 percent short of its year-earlier figure.

And although the seasonally adjusted index for the value of construction contracts awarded in the state shows significant improvement from a month earlier, the year-to-date value of total awards for the first half of the year shows the state trailing the value of a year earlier by 11 percent while the nation is 24 percent ahead of its year-earlier level of awards.

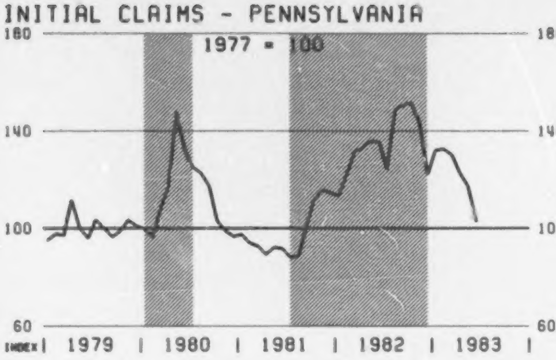
Virtually all the rise in the nation's value of construction awards came from residential building contracts, which were 68 percent higher than the value in the first half of last year. In Pennsylvania, the value of these contracts was a sizable 48 percent ahead of the year-earlier value. The state's decline in the total value of construction awards came from nonresidential building and nonbuilding awards, which were 25 percent and 45 percent, respectively, below the year-earlier values. After accounting for inflation, these shortfalls are even greater.

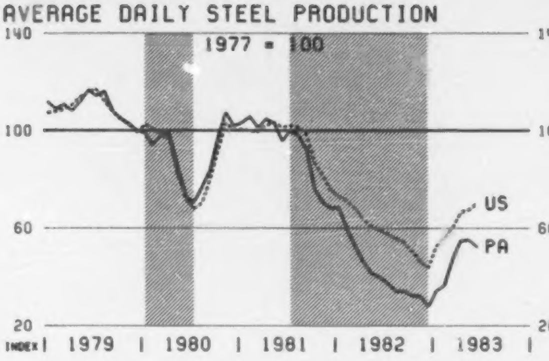
Another striking example of the sluggish recovery in

Economic Activity in Pennsylvania				Seasonally Adjusted Indexes (1977 = 100)		
	1983		1982	1983		1982
	May	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,489.*	4,505.	4,636.	97.4	97.2	100.1
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,390.*	3,400.	3,440.	104.1	104.0	105.2
Manufacturing						
No. of wage and salaried jobs (thous.)	1,092.*	1,098.	1,191.	81.3*	80.7	87.6
Ave. wkly. hrs. worked by prod. workers	39.2*	39.5	38.5	99.6	99.9	97.4
Total wkly. person-hours worked (mils.)	29.0*	29.6	31.4	75.9*	76.2	80.9
Total wkly. payroll (mil. dols.)	257.0*	262.8	268.9	115.1*	116.3	119.0
Steel production (thous. tons)	1,238.	1,107.	842.	55.	52	40.
Industrial electric power sales (mil. kwh)	3,274.	3,440.	3,346.	92.	92.	90.
Mining						
Anthracite coal (thous. net tons)	341.	410.	319.	72.	83.	65.
Bituminous coal (thous. net tons)	5,020.	5537.	6,192.	73.	78.	86.
Construction contracts awarded (mil. dols.)						
Total	391.8	522.7	469.3*	98.	134.	116.*
Residential building	206.6	270.9	165.5*	118.	167.	106.*
Other building	87.5	159.0	191.8*	77.	121.	140.*
Nonbuilding (utilities and public works)	97.7	92.8	112.0*	89.	89.	102.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,769.	4,886.	4,888.	99.9	101.5	101.5
Unemployed						
No. of persons (thous.)	659.	721.	563.	172.8	178.4	138.6
Rate (percentage of labor force)	12.1	12.9	10.3			
Rate, seasonally adjusted	12.6	12.6	10.1			
Civilian labor force, no. of persons (thous.)	5,428.	5,607.	5,451.	104.8	107.4	104.4
Initial claims for unemployment benefits	143,278.	147,314.	196,892.	117.3	102.8	135.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1983		1982	*Month*	*Year*
	May	*June*	*June*	*Ago*	*Ago*
U.S. city average	297.1	298.1	290.6	0.3	2.6
Philadelphia	284.3	286.1	279.7	0.6	2.3
Pittsburgh	n.a.	305.4	285.1	n.a.	7.1
Northeast PA	281.7	n.a.	270.2†	n.a.	4.3

NOTES: Data on employment have been revised to first quarter 1982 benchmarks.
* = figure revised † = figure for May 1982 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.





the state compared to the nation can be seen in the manufacturing sector. The seasonally adjusted job level in the nation's factories grew 2 percent in the first half of this year while the level was another 1.2 percent lower in the state. A total of 17.4 percent of wage and salaried jobs in the state's manufacturing industries was lost during the recession compared to 10.6 percent of the nation's. Thus, the manufacturing sector in the state has lost a greater percentage of factory jobs than the nation as a whole and has yet to embark on a firm recovery as it has in many other parts of the country.

However, not all the news on the state's economy was disappointing in June. Average weekly hours worked by production workers in Pennsylvania factories, a leading indicator of industrial activity, rose another 0.3 hours. June's increase was the fourth consecutive monthly rise in this measure and was bolstered by durable and nondurable goods industries alike. The continued lengthening of the factory workweek is a good sign because, although some further improvement could be made in hours of work, to increase production, producers will soon have to call back laid-off workers.

In addition, significant headway was seen for the third consecutive month in the state's resident employment data. The seasonally adjusted index for total employment rose to its highest level in 10 months. But total employment in the nation was even stronger in June; on a seasonally adjusted basis, it exceeded the year-earlier figure by 1.1 percent.

Furthermore, the seasonally adjusted unemployment rate for the civilian population of the state remained at 12.6 percent in June. This rate was unchanged because of the growth in the labor force, caused by an influx of students seeking summer jobs. Many of these students could not find employment and therefore joined the ranks of the unemployed. The unemployment rate for the nation declined another 0.1 of a percentage point to 10.0 percent.

The employment situation should continue to improve in the coming months. The seasonally adjusted level of new claims for unemployment benefits in the state, a bellwether of future changes in employment levels, fell 12 percent in June from a month earlier to its lowest level since September 1981. June's decline was the fourth consecutive monthly drop in this measure.

The state's steel production sagged a bit in June. After five consecutive months of increase, the seasonally adjusted average daily level of steel produced in Pennsylvania fell more than 5 percent, but it remained at almost double the level of late last year. At the same time, the seasonally adjusted level of steel produced in the whole U.S. continued to climb in June, bringing the percentage produced in Pennsylvania down to 15.8 percent from 16.7 percent a month earlier.

However, employment in the state's primary metals industries rose by another 1,500 workers in June; there were 7,500 more persons employed in this industry group in June than in February, when a low of 114,500 workers was registered. Most encouraging though was the length of the average workweek in these industries; it has been longer only once in the last 3 years — that was in April 1981 when it was 40.1 hours compared to June's 39.9 hours.

The service-producing sector provided little luster to the economy in June. Job levels increased more than the usual seasonal amounts in only retail trade and the finance, insurance, and real estate industry group; they increased just the seasonally expected amounts in public utilities, the general services industry group, and the federal government; and the job level in wholesale trade increased less than the usual seasonal amount. Finally, employment in transportation industries and state and local government declined more than seasonally expected.

— *Norma I. Gavin*

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Around the State

Southeastern Quarter

Harrisburg

The Harrisburg area is experiencing one of the most marked recoveries from the recession among the state's metropolitan areas.

The seasonally adjusted level of total employment rose 2.7 percent last quarter. The level in June had been exceeded only in March and April of 1981 before the most recent recession.

The unemployment rate in the area dropped from 8 percent to 7.2 percent of the labor force last quarter. This is the second lowest rate among the state's metropolitan areas.

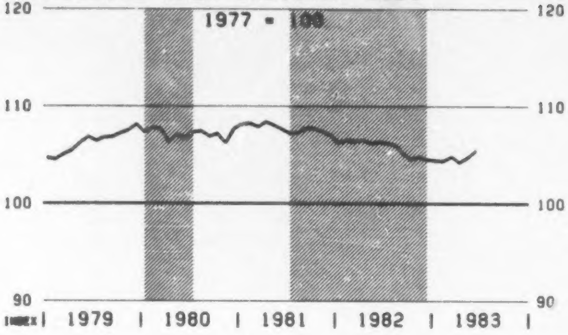
In addition, the Harrisburg area was only one of two metropolitan areas in which the seasonally adjusted nonfarm industry job level rose from a quarter earlier. The factory job level rose 1.3 percent after seasonal adjustment while the job level in the area's nonmanufacturing industries increased only the usual seasonal amount.

The average length of the factory workweek rose a strong 1.5 hours last quarter to its highest level in over a year. Nevertheless, at a seasonally adjusted 39.3 hours it remained more than an hour below pre-recession levels.

Seasonally adjusted sales of electricity to industrial users in the Harrisburg area jumped 36.5 percent ahead of first quarter's level of sales. However, they also remained substantially below pre-recession levels.

The area had the greatest increase in the value of commercial building contracts awarded in the first half of the year over the value awarded in the same period a year ago among the state's metropolitan areas. This year's value was more than double that of last year. In addition, the value of residential building contracts awarded so far this year in the area were ahead of last year's six-month total by almost 40 percent.

HARRISBURG AREA INDUSTRY JOBS



Lancaster

The Lancaster area economy began to expand last quarter. It more than absorbed the 0.7 percent increase in the civilian labor force with a 2 percent increase in the seasonally adjusted level of total employment. As a result, the seasonally adjusted unemployment rate dropped from a record high of 8 percent in the first quarter to 6.9 percent last quarter — the lowest rate among the state's major metropolitan areas.

Job levels increased in both the manufacturing and nonmanufacturing sectors of the economy, but the increases were less than expected for the April-June quarter. The seasonally adjusted job level for all area nonfarm industries remains 5 percent below the 1979 average.

The average length of the factory workweek increased by one hour last quarter to a seasonally adjusted 39.1 hours. However, it also remained below the average for 1979.

The most encouraging indicator of economic activity in the Lancaster metropolitan area was sales of

Harrisburg Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'83	2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	217.1	108.	106.	109.
Unemployed, no. of residents	16.0	137.	152.	120.
Civilian labor force, no. of residents	233.2	110.	108.	110.
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	219.8	105.	105.	106.
Nonmfg. only, no. of jobs	181.1	107.	107.	108.
Mfg. only, no. of jobs	38.8	97.	96.	101.
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	100.	96.	98.
Industrial electric power sales	***	92.	67.	90.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	27.0	+ 92.9	+ 62.7
Nonresidential bldg. contracts only	28.8	+166.7	+169.2

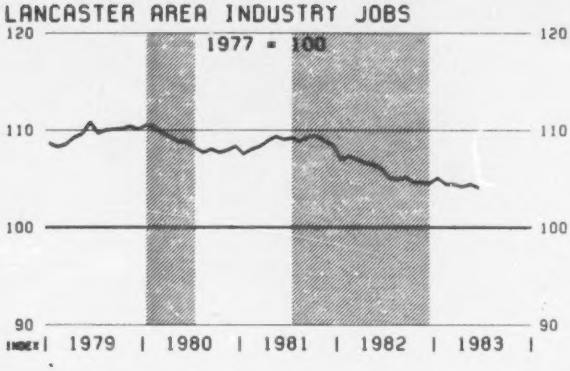
[1] Cumberland, Dauphin, and Perry Counties.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'83	2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	168.9	107.	105.	108.
Unemployed, no. of residents	12.2	150.	175.	156.
Civilian labor force, no. of residents	181.0	109.	108.	110.
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	149.1	104.	105.	106.
Nonmfg. only, no. of jobs	95.4	111.	112.	111.
Mfg. only, no. of jobs	53.6	94.	94.	99.
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	99.	96.	97.
Industrial electric power sales	***	109.	98.	99.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	30.2	+145.5	+78.7
Nonresidential contracts only	42.0	+600.0	+90.9

[1] Lancaster County


LANCASTER AREA INDUSTRY JOBS

electricity to industrial users. Seasonally adjusted sales rose 11 percent last quarter to a new all-time high.

The value of contract construction awards also show an expanding regional economy. The cumulative value of awards for residential and nonresidential buildings were up 75-80 percent in the first six months of this year compared to their values in the same period a year ago.

Philadelphia

There were signs of recovery in the Philadelphia area economy last quarter, but the gains were small compared to the nation's and to those in other areas of the state.

The most positive indicator among those we follow for the area was the seasonally adjusted level of total resident employment, which grew 2 percent from the first to the second quarter. In June, this measure was at its highest level since August 1981, the second month of the long year-and-a-half recession.

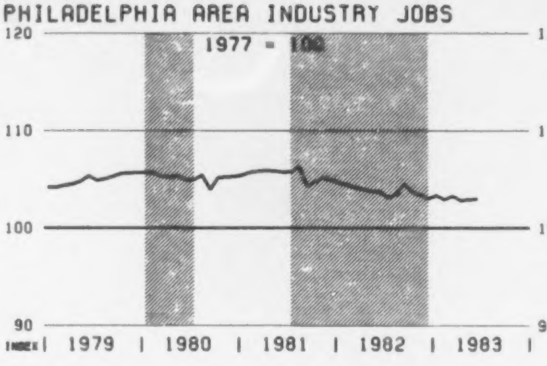
The job level in Philadelphia's manufacturing industries rose last quarter, but the increase was just short of the usual seasonal increase. Nevertheless, the decline in the seasonally adjusted factory job level was the smallest since the beginning of the recession. The rise in the job level of the area's nonmanufacturing industries was also less than seasonal.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'83	2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	1,987.2	106.	104.	105.
Unemployed, no. of residents	197.4	112.	114.	104.
Civilian labor force, no. of residents	2,184.7	106.	104.	105.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	1,892.4	103.	103.	104.
Nonmfg. only, no. of jobs	1,503.6	108.	109.	108.
Mfg. only, no. of jobs	385.3	86.	86.	91.
Hrs. worked by production workers in mfg., *ave. weekly*	n.a.	n.a.	96.	98.
Industrial electric power sales				
Metropolitan area	***	96.	94.	95.
Chester	***	94.	91.	96.
Philadelphia	***	97.	95.	96.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	241.5	+ 103.8	+ 70.6
Nonresidential contracts only	160.3	+ 12.1	+ 2.8

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.


PHILADELPHIA AREA INDUSTRY JOBS

Seasonally adjusted sales of electricity to industrial users rose to their highest level since first quarter 1982. But the 2.6 percent increase was small compared to the 7.2 percent increase for the state as a whole, and the seasonally adjusted level remained 6.9 percent below the average for 1979.

The area's construction industry group had a varied performance in the first half of the year. Commercial building contractors were worse off while housing contractors were better off than a year earlier. The value of nonresidential contracts awarded in the first six months of the year were 29 percent less than the value of awards for the year-earlier period. In contrast, the value of residential awards were almost 58 percent ahead of last year's.

Reading

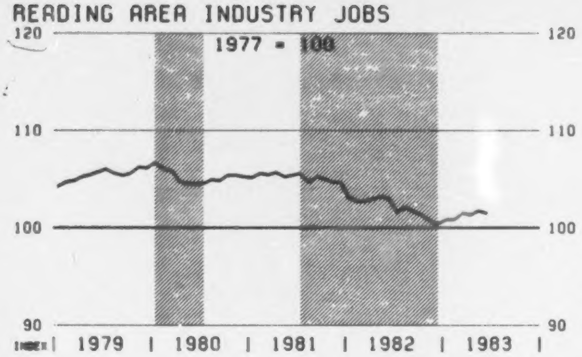
Of the 14 major metropolitan areas in the state, the Reading area has experienced the most vigorous recovery fom the recession to date. The area was one of only two in which total nonfarm industry job levels increased last quarter after seasonal adjustment. Furthermore, the 3.1 percent increase in the seasonally adjusted level of total resident employment and the 2.7

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'83	2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	141.0	105.	102.	106.
Unemployed, no. of residents	16.5	176.	198.	164.
Civilian labor force, no. of residents	157.5	109.	108.	109.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	134.2	102.	101.	103.
Nonmfg. only, no. of jobs	85.1	104.	105.	105.
Mfg. only, no. of jobs	49.1	98.	95.	100.
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	102.	98.	99.
Industrial electric power sales	***	109.	98.	107.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	24.4	+ 293.5	+ 130.2
Nonresidential contracts only	18.4	+ 371.8	+ 75.2

[1] Berks County



percent increase in the seasonally adjusted factory job level were the largest increases among the metropolitan areas with increases in these measures.

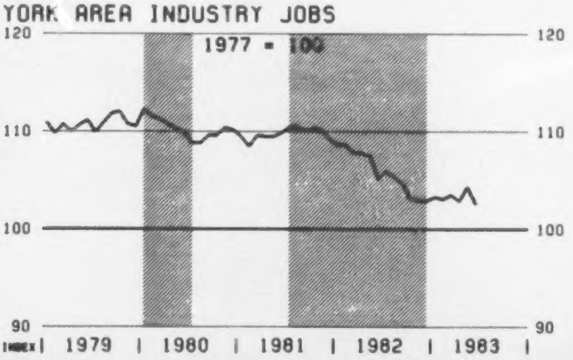
In addition, despite a large increase in the civilian labor force, which rose to its highest level ever in June, the number of unemployed area residents seeking employment declined last quarter. The seasonally adjusted unemployment rate fell a substantial 1.3 percentage point but remained in double digits at 10.3 percent.

The 0.5 percent increase in the seasonally adjusted job level in all nonfarm industries was the second consecutive quarterly rise. Most of the increase occurred in the manufacturing sector where the average length of the workweek was back up to levels prevailing before the most recent recession and the seasonally adjusted job level was at its highest level in a year.

On the other hand, the increase in the nonmanufacturing sector's job level was less than the usual seasonal increase. The seasonally adjusted job level in these industries fell to its lowest level since second quarter 1979.

The seasonally adjusted level of industrial electric power sales in the Reading area rose a strong 12.1 percent last quarter after rising 3.9 percent a quarter earlier. But despite these strong gains, seasonally adjusted sales remained 7.3 percent below the 1979 average.

Finally, the contract construction industry was showing substantial gains in the second quarter. The value of contract construction awards for nonresidential buildings was up 73 percent in the first half of this year from the level a year earlier while the value for residential building awards was ahead of the year-earlier figure by 80 percent.



York Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	158.0	107.	105.	109.
Unemployed, no. of residents	20.3	205.	233.	194.
Civilian labor force, no. of residents	178.2	113.	113.	114.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	148.4	103.	103.	107.
Nonmfg. only, no. of jobs	90.7	109.	110.	111.
Mfg. only, no. of jobs	56.7	96.	95.	102.
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	100.	97.	96.
Industrial electric power sales	***	92.	87.	90.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	24.0	+51.9	+55.8
Nonresidential contracts only	5.9	-73.4	- 9.2

[1] Adams and York Counties

York

The York area economy made definite steps toward recovery last quarter. The seasonally adjusted level of total employment rose 2.1 percent after six quarterly declines. Because the civilian labor force grew only 0.3 percent after seasonal adjustment, most of the newly employed came from the ranks of the unemployed. As a result, the seasonally adjusted unemployment rate dropped to 11.3 percent from 12.9 percent in the first quarter.

The seasonally adjusted job level in York's factories increased for the first time since the beginning of the recession last quarter, but it remained 13.8 percent below the 1979 average.

The job level in the area's nonmanufacturing sector also rose, but the increase was less than expected for the April-June quarter. Consequently, the seasonally adjusted level of all nonfarm industry jobs was unchanged from first quarter's level.

Further increases in the job levels are expected with any further increases in economic activity, because employed workers are already working long workweeks. Seasonally adjusted average weekly hours worked by production workers in the area's factories rose to 41.0 hours last quarter.

Industrial electric power sales also rose last quarter. The 5.4 percent increase in the seasonally adjusted level of sales was only the second increase in two years. Sales remained 17.3 percent below the 1979 average.

Finally, the cumulative total value of residential building contracts awarded in the first half of the year was almost 82 percent ahead of the total for last year, but the value for nonresidential buildings just kept pace with inflation.

Lehigh Valley Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	266.9	97.	96.	102.
Unemployed, no. of residents	37.7	184.	196.	149.
Civilian labor force, no. of residents	304.6	104.	103.	105.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	245.3	95.	95.	100.
Nonmfg. only, no. of jobs	158.0	105.	106.	107.
Mfg. only, no. of jobs	87.2	80.	80.	89.
Hrs. worked by production workers in mfg., *ave. weekly*	38.0	100.	97.	99.
Industrial electric power sales				
Metropolitan area	***	100.	99.	101.
Allentown	***	95.	95.	96.
Bethlehem	***	102.	99.	104.
Easton	***	110.	108.	108.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	61.3	+162.0	+152.3
Nonresidential contracts only	31.7	+ 56.2	+ 10.5

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Northeastern Quarter

Lehigh Valley

Improvements were evident in the Lehigh Valley area economy last quarter, but activity in many of the area's industries remained at very low levels.

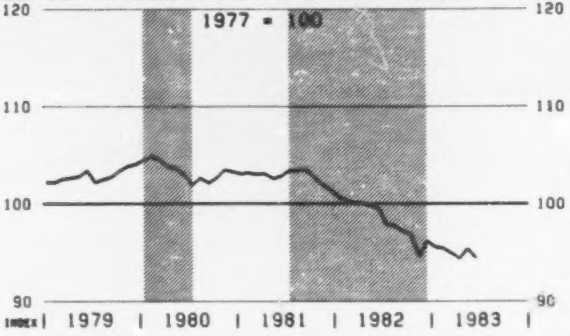
The seasonally adjusted level of total employment rose 1.9 percent from a quarter earlier, and the unemployment rate dropped to 12.6 percent from 13.5 percent. Accompanying these improvements were increases in the area's nonfarm industry job level. But neither the increase in the area's manufacturing industries nor that in its nonmanufacturing industries was greater than the usual seasonal rise.

However, further improvements in employment conditions are expected in the coming months. The average length of the factory workweek, a leading indicator for employment changes, rose to a seasonally adjusted 38.2 hours last quarter. This is the level that prevailed in the late 1970's.

The April-June period was the second consecutive quarter of increases in the seasonally adjusted level of industrial electric power sales. These increases reflect rising output in the area's industries. However, second quarter's level remained 8.9 percent below the 1979 average.

The pace of the area's construction industry was also picking up. The value of contract construction awards for both residential and nonresidential buildings increased from a quarter earlier. But the year-to-date value for the first six months of the year was behind the year-earlier figure by a little over 10 percent for nonresidential buildings awards while the comparable value for residential buildings was more than two and a half times the year-earlier figure.

LEHIGH VALLEY AREA INDUSTRY JOBS



Northeast

As in many of the other metropolitan areas in the state last quarter, improvements were evident in the Northeast in total employment, the average length of the factory workweek, and industrial electric power sales while seasonally adjusted job levels continued to fall.

The seasonally adjusted level of total employment rose 1.7 percent from a quarter earlier while the adjusted level of unemployed residents seeking employment rose in both Lackawanna and Luzerne Counties but was essentially unchanged for the metropolitan area as a whole. The increases brought the seasonally adjusted civilian labor force to its highest level ever in June.

Average weekly hours worked by production workers in the area's factories rose for the second consecutive quarter after seasonal adjustment, but the factory job level continued to decline. Last quarter there were 17.3 percent fewer factory jobs than there were in 1979. However, the factory workweek at a seasonally adjusted 37.8 hours was high compared to historical levels, and therefore employers may have to increase employment to further increase production in the months ahead.

The job level in the area's nonmanufacturing industries increased last quarter, but the increase was slightly short of the usual seasonal amount. Thus, the seasonally adjusted job level dropped 0.3 percent and stood 1.3 percent below the 1979 average.

Industrial electric power sales show economic activity to be picking up in the area. The seasonally adjusted level of sales rose 4.3 percent last quarter after rising 0.8 percent in the fist quarter, but it remained below previous highs.

The Northeast area's construction industry also shows trends similar to those of other areas in the state and of the state as a whole. The cumulative value of contract construction awards for nonresidential buildings in the first half of the year was almost 27 percent below last year's value while the value for residential buildings was more than 80 percent ahead of its year-ago level.

Williamsport

The Williamsport area economy was beginning to turn around last quarter but remained sluggish relative to the economies of the other metropolitan areas in the state.

The seasonally adjusted level of total resident employment rose 1.4 percent in the second quarter while the number of jobless residents seeking employment was

Northeast Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents				
Northeast metropolitan area	251.8	102.	100.	103.
Lackawanna County[2] only	89.6	102.	100.	103.
Luzerne County[3] only	134.9	102.	100.	103.
Unemployed, no. of residents				
Northeast metropolitan area	34.0	130.	130.	117.
Lackawanna County[2] only	11.2	120.	113.	116.
Luzerne County[3] only	19.6	138.	133.	117.
Civilian labor force, no. of residents				
Northeast metropolitan area	285.8	104.	103.	104.
Lackawanna County[2] only	100.8	104.	101.	104.
Luzerne County[3] only	154.5	105.	103.	104.
Local industries, Northeast metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	231.2	98.	99.	101.
Nonmfg. only, no. of jobs	169.4	104.	104.	104.
Mfg. only, no. of jobs	61.5	86.	89.	92.
Hrs. worked by production workers in mfg., *ave. weekly*	37.4	105.	101.	100.
Industrial electric power sales				
Northeast metropolitan area	***	98.	94.	99.
Lackawanna County[2] only	***	95.	95.	96.
Luzerne County[3]	***	92.	90.	95.
Hazleton	***	86.	85.	90.
Wilkes-Barre	***	92.	86.	92.

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Quarter Ago	Year Ago
Residential contracts only	27.8	+ 6.5	+36.9
Nonresidential contracts only	5.2	−10.3	−54.8

[1] Lackawanna, Luzerne, and Monroe Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton

Williamsport Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	44.3	96.	95.	100.
Unemployed, no. of residents	8.1	180.	180.	129.
Civilian labor force, no. of residents	52.4	104.	102.	103.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	43.4	94.	95.	99.
Nonmfg. only, no. of jobs	29.3	103.	104.	103.
Mfg. only, no. of jobs	14.0	78.	81.	92.
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	100.	99.	101.
Industrial electric power sales	***	91.	88.	92.

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Quarter Ago	Year Ago
Residential contracts only	3.9	+225.0	+129.4
Nonresidential contracts only	0.7	+700.0	+700.0

[1] Lycoming County

unchanged from a quarter earlier after adjusting for normal seasonal variation. However, because of the increase in the civilian labor force, the seasonally adjusted unemployment rate fell to 15.5 percent last quarter from 15.8 percent in the first quarter.

The Williamsport area experienced the greatest percentage decline in the seasonally adjusted factory job level among the state's metropolitan areas. The 3.5 percent decline brought the job level down to a new low, which was just over 77 percent of the 1979 average.

The average number of hours worked by production workers in the area's factories rose slightly last quarter but a further lengthening in the workweek could occur before a significant number of laid-off workers are called back.

The nonmanufacturing job level in the Williamsport area rose but not as much as expected for the April-June quarter. The seasonally adjusted number of jobs remained 3.9 percent below the level that prevailed before the most recent recession.

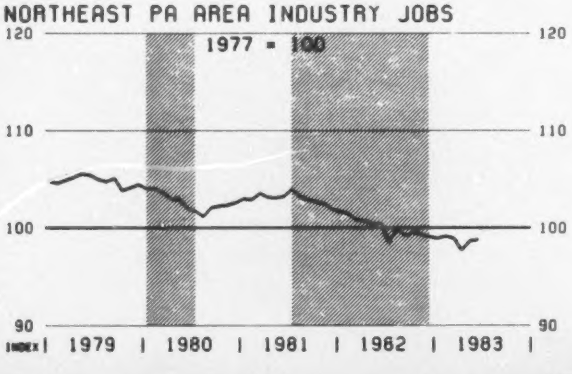
Industrial electric power sales also increased last quarter after five consecutive quarterly declines. But the increase of 3.7 percent was modest compared to the 7.2 percent increase for the state as a whole.

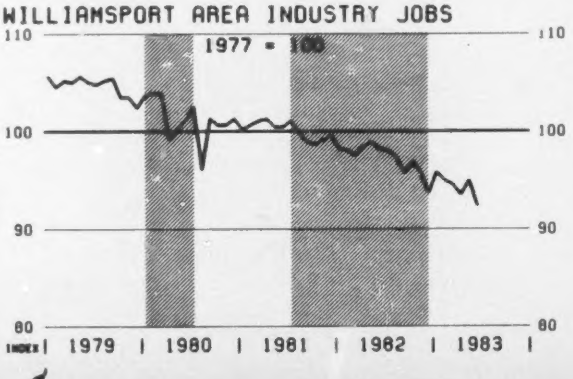
The area's construction industry picked up considerable momentum last quarter from a year ago. The value of nonresidential building contracts awarded in the first six months of the year rose 40 percent from the value a year earlier while the value of residential building contracts more than doubled.

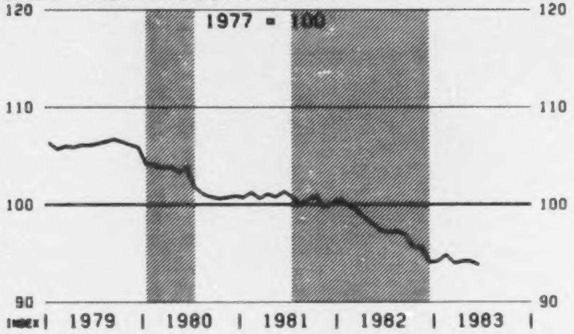
Northwestern Quarter

Erie

The Erie area economy made some progress last quarter. But the recession hit the area hard, and it will take a long time to fully recover.







ERIE AREA INDUSTRY JOBS

The economy more than absorbed the 1.3 percent increase in the civilian labor force as the seasonally adjusted level of total employment increased 1.9 percent and the number of jobless residents seeking work dropped back 2 percent. But total employment remained 8.8 percent below the 1979 average, and, while the seasonally adjusted unemployment rate fell 0.5 of a percentage point, it remained at a high 15.9 percent.

Increases in job levels were slight — only minimally more than seasonal in manufacturing industries and less than seasonal in nonmanufacturing industries. The seasonally adjusted level of all nonfarm industry jobs fell to an 11-year low.

However, the factory workweek lengthened 1.3 hours last quarter and stood at a relatively high 40.8 hours after seasonal adjustment.

In addition, seasonally adjusted industrial electric power sales rose 3.6 percent last quarter. But this increase is modest compared to the 7.2 percent increase in the state. Furthermore, these sales remained 29.1 percent lower than the area's average for 1979.

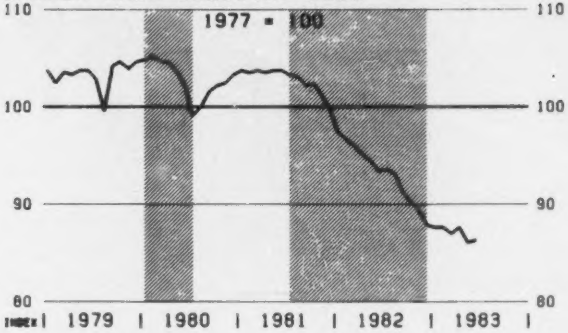
Finally, the value of construction contracts for nonresidential buildings in the first half of the year trailed last year's value by almost 17 percent while the value for residential buildings were more than 54 percent ahead of last year's value.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'83	2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	106.8	97.	95.	100.
Unemployed, no. of residents	19.9	221.	225.	152.
Civilian labor force, no. of residents	126.7	106.	105.	104.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	104.5	94.	94.	98.
Nonmfg. only, no. of jobs	69.9	102.	103.	103.
Mfg. only, no. of jobs	34.5	81.	80.	90.
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	99.	96.	96.
Industrial electric power sales	***	77.	75.	83.

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Quarter Ago	Year Ago
Residential contracts only	12.9	+158.0	+98.5
Nonresidential contracts only	6.3	+ 53.7	0.0

[1] Erie County



SHARON AREA INDUSTRY JOBS

Sharon

The Sharon metropolitan area, which has been especially hard hit by the recession, is also showing signs of recovery. Although job levels continued to decline on a seasonally adjusted basis, the resident employment data for Mercer County show strong gains in the last quarter. Furthermore, industrial electric power sales, which reflect short-run changes in output, continued to climb for the third consecutive quarter.

The civilian labor force remained essentially unchanged from a quarter earlier while the seasonally adjusted number of employed area residents rose 2.1 percent and the number of jobless residents dropped 5.3 percent. As a result, the seasonally adjusted unemployment rate for the area fell to 19.9 percent from 21.2 percent a quarter earlier. The 1.9 percentage point decline was the largest drop among the state's metropolitan areas.

The number of nonfarm industry jobs rose last quarter, but the increase was less than the usual seasonal increase. Thus, the seasonally adjusted index for this measure fell for the eighth consecutive quarter.

The small job gains that did occur were in Sharon's nonmanufacturing sector; the area's factories continued to lose jobs last quarter. The seasonally adjusted factory job level was 38.5 percent below the 1979 average. However, last quarter's decline was the smallest of nine consecutive quarterly declines.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'83	2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	43.2	89.	88.	97.
Unemployed, no. of residents	10.6	266.	282.	212.
Civilian labor force, no. of residents	53.8	103.	103.	106.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	39.7	87.	88.	95.
Nonmfg. only, no. of jobs	29.3	100.	100.	102.
Mfg. only, no. of jobs	10.4	64.	65.	82.
Industrial electric power sales	***	106.	101.	90.

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Quarter Ago	Year Ago
Residential contracts only	8.0	+400.0	+135.3
Nonresidential contracts only	5.1	+155.0	− 13.6

[1] Mercer County

Despite the weakness in job levels, increases in industrial electric power sales suggest rising production. The seasonally adjusted level of sales of electricity to industries in the area rose 4.2 percent in the second quarter after a 12.5 percent increase in the first quarter and a 4.2 percent increase in the fourth quarter of last year.

Finally, although the cumulative value of contract construction awards for residential buildings in the first half of the year more than doubled from the level in the same period last year, the value for nonresidential buildings was only 13.3 percent of last year's figure.

Southwestern Quarter

Altoona

The Altoona economy was the most sluggish among the economies of Pennsylvania's 14 metropolitan areas last quarter. Altoona was the only metropolitan area in which the seasonally adjusted unemployment rate rose last quarter, and the area had the smallest percentage increase in total employment, the second largest percentage decline in the nonfarm industry job level, and the smallest increase in the average length of the factory workweek. Furthermore, it was the only metropolitan area in the state in which the cumulative value of residential contract construction awards in the first half of the year was lower than it was in the first half of 1982.

The rise in the seasonally adjusted unemployment rate to 17.6 percent in the second quarter from 16.7 percent in the first quarter of the year is largely attributable to a big jump in the civilian labor force. In June, the seasonally adjusted labor force rose to 58,600 workers — its highest level since March 1981. A greater number of the new entrants were seeking employment than were returning to old jobs. Thus, the increase in the unemployment rate.

While total employment of area residents was up 1.3 percent after seasonal adjustment, the increase in total nonfarm industry jobs was less than the usual seasonal rise. Seasonally adjusted job levels fell 1.8 percent in manufacturing industries and 0.6 percent in nonmanufacturing industries.

Employment levels are expected to remain low in the coming months. Although the average length of the factory workweek improved in the second quarter, at a seasonally adjusted 38.1 hours, it remained substantially below the 39.3 hour average that prevailed in 1979. Employers still have considerable room to increase production by increasing the hours of workers still on the job before hiring back laid off employees.

Altoona was one of seven of the metropolitan areas in which the value of nonresidential building construction contracts awarded in the first six months of this year exceeded the value awarded in the same period last year, but it was the only one in which the value of residential building awards declined. Nonresidential building awards were ahead of last year's by almost 9 percent while residential building awards, which accounted for 76 percent of total building contracts last year, were behind by more than 21 percent.

Finally, industrial electric power sales were at their highest level in a year but were still 24.6 percent below the average for 1979.

Johnstown

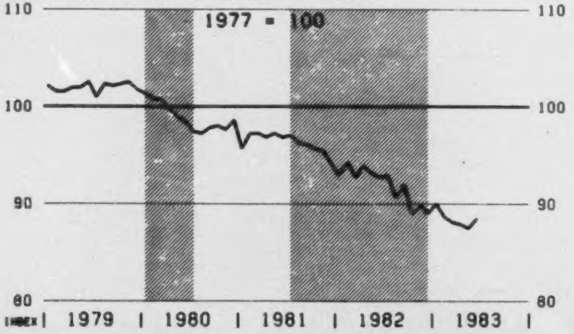
Johnstown has the highest unemployment rate among the state's metropolitan areas. But it also had the second highest percentage increase in total employment last quarter and was the only metropolitan area in which the nonmanufacturing industry job level rose more than the usual seasonal amount.

The seasonally adjusted level of total resident employment rose 2.9 percent last quarter while the number of jobless residents seeking employment fell back a slight 0.8 percent after six consecutive quarterly increases. The seasonally adjusted unemployment rate fell to 22.9 percent from a record quarterly high of 23.5 percent.

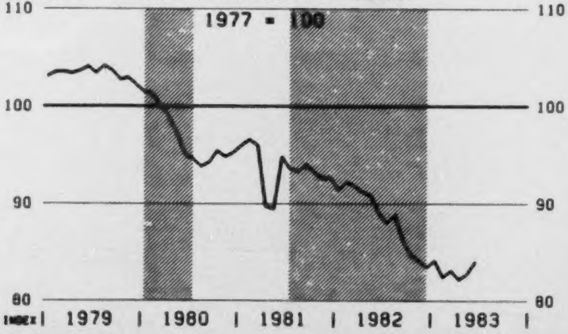
The solid gains in the resident employment data were diminished by another 3.3 percent drop in the seasonally adjusted factory job level. The number of manufacturing jobs in the Johnstown area was less than half the level that prevailed throughout the 1964-74 decade. Furthermore, the length of the factory workweek last quarter at a seasonally adjusted 35.4 hours was still very low.

The area's construction industry also remained lackluster in the first half of the year. The value of

ALTOONA AREA INDUSTRY JOBS



JOHNSTOWN AREA INDUSTRY JOBS



nonresidential building contracts awarded in the first six months of this year was less than half the value awarded in the same period last year. In addition, while the value for residential building awards was 34 percent ahead of last year's value, the percentage increase was the lowest among the state's metropolitan areas.

At the same time, the number of jobs in the area's nonmanufacturing industries rose slightly more than the usual seasonal amount. The 0.3 percent increase, although small, was the only increase in this measure among the state's metropolitan areas.

Seasonally adjusted industrial electric power sales turned up last quarter for the first time in over a year. But because the electric furnace at the Bethelehem Steel Corporation plant had not yet been turned back on, these sales remain 36.7 percent below the year-ago level.

Pittsburgh

The Pittsburgh area economy was gearing up for recovery last quarter. By June, the seasonally adjusted labor force had risen to 1,054,000 workers — its highest level ever. Many of the new entrants last quarter either went back to old jobs or quickly secured new jobs. This brought the seasonally adjusted unemployment rate down 0.2 of a percentage point to 16.1 percent.

The seasonally adjusted level of total resident employment rose 1.8 percent after six consecutive quarterly declines, but was still 9.4 percent below the average prevailing in the 1979-81 period. Nevertheless, it has been increasing steadily since the low in March and is expected to continue to increase in the months ahead.

Average weekly hours worked by production workers in the area's factories rose for the third consecutive quarter to a seasonally adjusted 39.7 hours. This relatively long workweek suggests that job levels should soon begin to rise.

Seasonally adjusted job levels continued to decline through the second quarter but at a slower rate than experienced in 1982. The factory job level fell 1.8 percent in both the first and second quarters of this year compared to an average quarterly decline of 7 percent during 1982.

The number of jobs in the nonmanufacturing sector increased last quarter but less than the usual seasonal amount. So the seasonally adjusted job level fell 0.6 percent for its sixth consecutive quarterly decline.

Nevertheless, production in the area's factories have picked up considerably from recession lows. Sales of electricity to industrial users rose almost 20 percent after seasonal adjustment. Last quarter's rise in this measure follows a 5.5 percent increase in the first quarter. But the seasonally adjusted level of sales remains 34.4 percent below the 1979 average.

The building boom of the last few years in Pittsburgh appears to have slowed. The value of construction contracts for commercial buildings in the first half of the year was more than 9 percent lower than in the same period last year. The cumulative value of residential building awards for the first six months of the year were

Altoona Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	47.5	91.	90.	96.
Unemployed, no. of residents	9.4	248.	228.	163.
Civilian labor force, no. of residents	56.9	102.	100.	101.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	45.9	88.	89.	93.
Nonmfg. only, no. of jobs	35.0	90.	91.	94.
Mfg. only, no. of jobs	10.9	82.	84.	91.
Hrs. worked by production workers in mfg., *ave. weekly*	38.5	100.	100.	102.
Industrial electric power sales	***	80.	76.	86.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	6.6	+247.4	−32.7
Nonresidential contracts only	2.2	+ 37.5	+10.0

[1] Blair County

Johnstown Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	84.0	86.	83.	92.
Unemployed, no. of residents	23.7	231.	233.	152.
Civilian labor force, no. of residents	107.7	100.	98.	98.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	74.1	83.	83.	90.
Nonmfg. only, no. of jobs	61.6	92.	91.	97.
Mfg. only, no. of jobs	12.1	56.	58.	70.
Hrs. worked by production workers in mfg., *ave. weekly*	35.5	91.	89.	92.
Industrial electric power sales	***	76.	70.	120.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	14.1	+176.5	+54.9
Nonresidential contracts only	0.6	− 98.0	−81.8

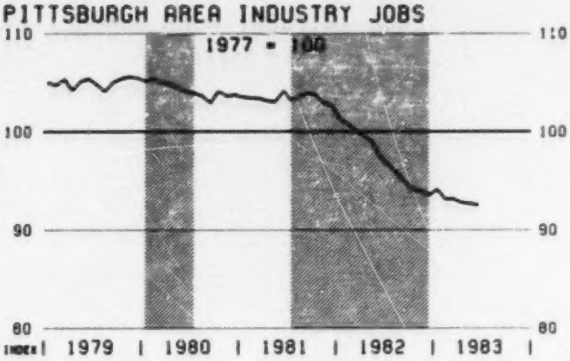
[1] Cambria and Somerset Counties

Pittsburgh Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	866.2	96.	94.	101.
Unemployed, no. of residents	162.9	258.	258.	183.
Civilian labor force, no. of residents	1,029.1	106.	105.	106.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	851.8	93.	94.	99.
Nonmfg. only, no. of jobs	683.0	102.	103.	106.
Mfg. only, no. of jobs	167.9	67.	68.	80.
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	98.	93.	94.
Industrial electric power sales	***	70.	58.	72.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	117.1	+124.3	− 3.3
Nonresidential contracts only	100.4	+ 11.6	−40.9

[1] Allegheny, Beaver, Washington, and Westmoreland Counties.



ahead of last year's value by almost 25 percent, which is a modest increase compared to those of other metropolitan areas in the state.

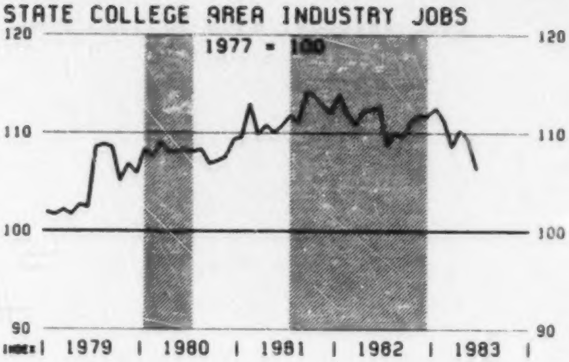
State College

At first brush, the employment situation in the State College metropolitan area appears stalled, but a closer look reveals some signs of improvement.

The metropolitan area, which encompasses all of Centre County, was the only one in the state in which the seasonally adjusted level of total resident employment did not rise last quarter. The quarterly average remained unchanged from a quarter earlier. Furthermore, the 2 percent decline in the seasonally adjusted job level in the area's nonfarm industries was the largest percentage drop among the 11 metropolitan areas with decreases.

At the same time, State College was one of only five metropolitan areas in which factory job levels increased more than the usual seasonal amount. The increase in industrial activity suggested by the increase in factory employment was supported by a 9 percent increase in the seasonally adjusted level of industrial electric power sales. Last quarter's increase in this measure was the second consecutive quarterly increase. It had increased 3.1 percent the quarter earlier.

The more than seasonal decline in the job level of the area's nonmanufacturing sector came from the failure of other industry groups to gain an adequate number of jobs to offset the decline in state education jobs at the end of the school year.



State College Area[1]

	Ave. mo. value 2 Q.'83	Average monthly index seas. adj. (1977 = 100) 2 Q.'83	1 Q.'83	2 Q.'82
Employment *(in thousands)*				
Employed, no. of residents	44.7	107.	107.	110.
Unemployed, no. of residents	5.7	222.	224.	168.
Civilian labor force, no. of residents	50.5	114.	114.	113.
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	44.8	109.	111.	112.
Nonmfg. only, no. of jobs	37.8	108.	111.	111.
Mfg. only, no. of jobs	7.1	110.	108.	119.
Industrial electric power sales	***	94.	86.	92.

Construction contracts awarded *(in millions of dollars)*	Total 2 Q.'83	Percentage Change Quarter Ago	Year Ago
Residential contracts only	12.8	+ 151.0	+106.5
Nonresidential contracts only	9.0	+4400.0	+210.3

[1]Centre Coun

Unemployment remains high in the area. But because there was no increase in the civilian labor force last quarter, the unemployment rate was able to slip 0.1 of a percentage point to 11.7 percent.

The area's construction industry picked up this year. The cumulative value of contracts for nonresidential buildings in the first six months were a third higher than in the same period last year while contracts for residential buildings were 79 percent ahead of the year-ago level.

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July Marks Another Month of Gains

Record advances in Pennsylvania's resident employment data were registered in July. Other indicators of the state's economy also advanced, but they continued to show the state's recovery as less vigorous than the nation's.

Unemployment declined sharply in July and employment continued to surge upward for the fourth consecutive month. The seasonally adjusted unemployment rate for the state dropped a startling 1.5 percentage points over the month and, at 11.1 percent, was 2.5 percentage points below the high of 13.6 percent registered in January.

In addition, the number of employed Pennsylvanians rose to over 5 million for the first time in nearly a year. Almost three-fourths of the recession losses in the seasonally adjusted level of total employment had been regained by July. At the same time, the civilian labor force swelled to its highest level ever.

Another very encouraging indicator in July was the level of new claims for unemployment compensation. The seasonally adjusted index for this measure fell below 100 for the first time since August 1981. The dip below the 1977 average suggests further employment gains in the coming months.

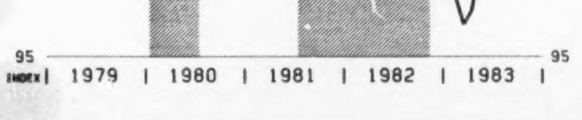
However, unemployment compensation benefits remain a severe drain on the state. Pennsylvania continued to have the second highest insured unemployment rate in July. In unadjusted figures for the week that ended July 30, 5.2 percent of the state's insured workers were out of work. Among the states, only West Virginia's 6.9 percent rate was higher.

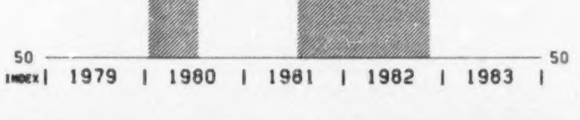
Furthermore, despite the increase in total employment, no dramatic changes in job levels took place in July. The total number of nonfarm industry jobs slipped a little, but the drop was normal for the time of year. This measure has risen by a seasonally adjusted 21,300 jobs, or 0.5 percent, since its low in April. It had fallen more than 6.5 percent since July 1981.

While the total job level remained below the year-ago level in the state, nationally the level of jobs in all nonfarm industries exceeded the level of a year earlier. Jobs in retail trade, finance, and services industry groups were above their year-earlier levels in both the nation and the state, and, in the nation, they were above pre-recession levels. Only in the services industry group did the job level for the state exceed the pre-recession high. Jobs in mining, durable goods manufactures, transportation, public utilities, and wholesale trade industry groups remained below their year-earlier levels in both the state and the nation.

The different mix of industries in the nation and the state and the relatively slower pick-up of the state's construction industry account for the poorer performance of the state's aggregate nonfarm industry job level.

However, the value of awards for future contract construction in the state rose for the second straight month in July, promising further improvement in construction industry employment. Furthermore, the


TOTAL EMPLOYMENT - PENNSYLVANIA


UNEMPLOYMENT - PENNSYLVANIA

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **September 1983**

average length of the factory workweek remained at a fairly high level in July. Therefore, further improvement in factory job levels should also materialize with a pick-up in demand for the state's products.

Employment in the contract construction industry increased for the second consecutive month after seasonal adjustment as did the value of contract construction awards. But the increase in the job level was only 3.4 percent higher than its low in May and remained 27 percent below the level prevailing in 1979.

Furthermore, the year-to-date value of total contract construction awards in July trailed the value in the same period last year by 5 percent. The decline in awards came from commercial buildings and major structure construction, which trailed last year's seven-month totals by 13 percent and 43 percent, respectively. On the other hand, the year-to-date value for residential building awards were ahead of last year's value by 47 percent.

However, if the gains of the last two months in the value of awards for commercial buildings and major structure construction continue, the cumulative value of awards should soon outpace last year's value.

Conditions in the state's manufacturing sector have been improving slowly since the first part of the year. The seasonally adjusted factory job level was up only 1.2 percent in July from its low in April. But further improvement is expected because average weekly hours worked by production workers has been at its historical average for several months.

Due to the steady increases in total hours worked since last February, seasonally adjusted factory payrolls have increased more than 14 percent from their low that month. Furthermore, because inflation has been moderate, more than 80 percent of that increase added to the total purchasing power of factory workers. Nevertheless, factory payrolls, adjusted for both inflation and seasonal variation, remained 19 percent below their level in August 1981 at the beginning of the most recent

Economic Activity in Pennsylvania				Seasonally Adjusted Indexes (1977 = 100)		
	1983		1982	1983		1982
	June	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,518.*	4,473.	4,543.	97.5*	97.7	99.2
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,408.*	3,371.	3,390.	104.3*	104.4	105.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,104.*	1,097.	1,147.	81.2*	81.7	85.5
Ave. wkly. hrs. worked by prod. workers	39.5	39.4	38.4	99.9	100.1	97.7
Total wkly. person-hours worked (mils.)	29.8*	29.5	29.8	76.7*	77.9	78.6
Total wkly. payroll (mil. dols.)	265.1*	265.8	257.7	117.3*	120.5	116.8
Steel production (thous. tons)	1,132.*	1,030.	765.	54.*	50.	37.
Industrial electric power sales (mil. kwh)	3,440.	3,400.	3,202.	92.	94.	90.
Mining						
Anthracite coal (thous. net tons)	410.	358.	313.	83.	83.	70.
Bituminous coal (thous. net tons)	5,537.	n.a.	6,192.†	78.	n.a.	86.†
Construction contracts awarded (mil. dols.)						
Total	522.7	542.6	390.4*	134.	153.	114.*
Residential building	270.9	209.2	151.5*	167.	124.	90.*
Other building	159.0	248.9	132.7*	121.	208.	113.*
Nonbuilding (utilities and public works)	92.8	84.5	106.2*	89.	124.	162.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,886.	5,054.	4,982.	101.1	103.1	101.6
Unemployed						
No. of persons (thous.)	721.	617.	595.	171.0	155.1	149.6
Rate (percentage of labor force)	12.9	10.9	10.7			
Rate, seasonally adjusted	12.6	11.1	10.8			
Civilian labor force, no. of persons (thous.)	5,607.	5,670.	5,578.	106.4	107.1	105.3
Initial claims for unemployment benefits	147,314.	148,443.	196,570.	102.8	96.0	124.4

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1983		1982	*Month*	*Year*
	June	*July*	*July*	*Ago*	*Ago*
U.S. city average	298.1	299.3	292.2	+0.4	+2.4
Philadelphia	286.1	288.3	281.1	+0.8	+2.6
Pittsburgh	305.4	n.a.	285.1†	n.a.	+7.1
Northeast PA	n.a.	283.4	275.1	n.a.	+3.0

NOTES: Data on employment have been revised to first quarter 1982 benchmarks.
* = figure revised † = figure for June 1982 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

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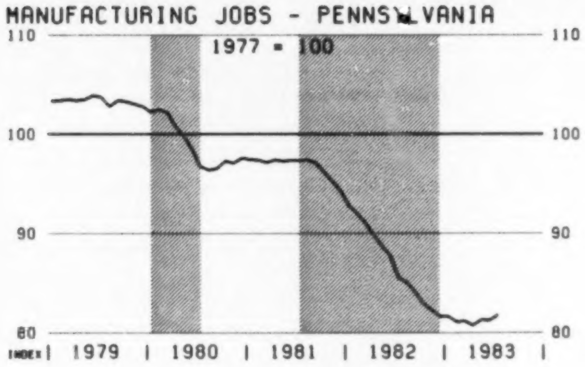
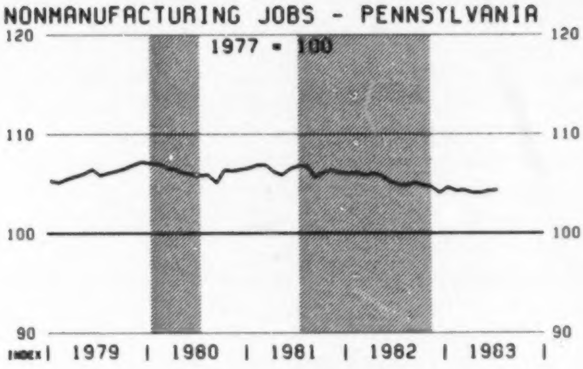

MANUFACTURING JOBS - PENNSYLVANIA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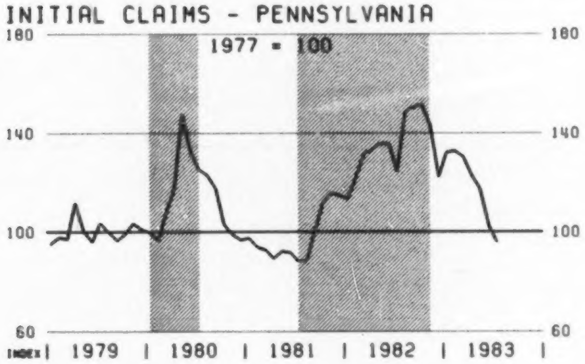
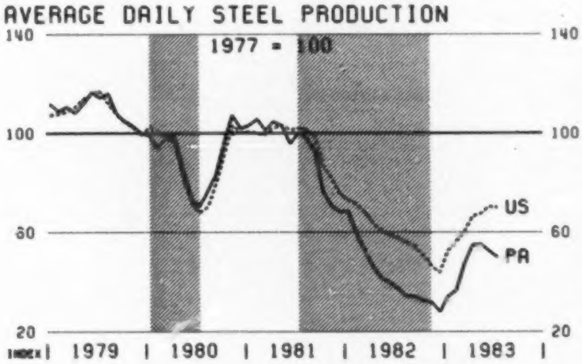

INITIAL CLAIMS - PENNSYLVANIA


AVERAGE DAILY STEEL PRODUCTION

recession and almost 30 percent below the level prevailing in 1979.

Industrial electric power sales, which reflect short-run changes in industrial production, fell back a bit in July from a month earlier, but the drop was less than the normal seasonal decline. As a result, the seasonally adjusted index for this measure rose to 94 (1977 = 100) from 92 in June. The level of sales remained 13 percent lower than the level two years earlier at the start of the most recent recession but was more than 6 percent higher than the year-ago level.

Steel production fell back again in July as demand for the state's steel products failed to pick up. At the same time, national steel production continued to climb. The average daily production of steel in the state was only half the level of two years ago, but it was more than a third higher than last year's level. National steel production, on the other hand, did not drop off quite as severely as did the state's during the recession. In addition, the national recovery in this industry has been more gradual and more steady.

In July, Pennsylvania's mills accounted for 15.8 percent of total national production. This is down from 16.7 percent last month but is up from 13.9 percent in July 1982. Throughout the 1970s, 20-23 percent of all steel produced in the nation was produced in Pennsylvania. By October 1981, Pennsylvania lost its distinction of producing more steel than any other state to Indiana. It slipped to third place behind Ohio in May 1982.

Although employment in the state's mining industry remained below the year-earlier level, it has increased by almost 10 percent since December. A big jump in the industry's job level occurred between February and March. Since then, it has been inching up.

The amounts of both bituminous and anthracite coal mined in the state have also been inching up. In June, the latest date for which we have data, the seasonally adjusted amount of bituminous coal mined had increased 21 percent from the low registered in February, but it remained 26 percent below the level that prevailed in 1979 before the two recent back-to-back recessions.

July's seasonally adjusted production figure for anthracite coal shows a 32 percent increase from its low reached in the second quarter of 1982. Nevertheless, it remained almost 20 percent below the average level produced during its brief comeback in 1980.

— Norma I. Gavin

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Small Personal Income Gain in First Quarter

Personal income in Pennsylvania increased a slight 0.1 percent in the first quarter of 1983, according to the Commerce Department's Bureau of Economic Analysis. This was the smallest increase among the 42 states with increases that quarter. Personal income was unchanged in Oklahoma and West Virginia and declined in South Dakota, Idaho, Wisconsin, Minnesota, Wyoming, and Alaska.

Personal income is the income received by persons from all sources — that is, from participation in production, from government and business transfer payments, and from government interest.

Despite the increase, the purchasing power of Pennsylvanian's declined in the first quarter. The state's meager increase in current-dollar personal income fell short of the 0.5 percent rise in consumer prices, measured by the implicit price deflator for personal consumption expenditures. The percentage change in personal income exceeded or equaled the national increase in consumer prices in 36 states.

In Pennsylvania, percentage declines in labor and proprietors' income from farm and mining industries were more than the national average percentage declines in income from these industries in the first quarter while percentage increases in income from nondurable goods manufactures, retail trade, finance, and services industries were less than the average national percentage increases. Declines occurred in the state's income from durable goods manufactures, transportation industries, and wholesale trade while the nation gained income in all of these industries. Only in the construction industry and in government were percentage gains in income greater in the state than in the nation.

Finally, transfer payments in the state declined in the first quarter. This decline, the first in six years, came from a drop in unemployment insurance benefits.

— Norma I. Gavin

Personal Income by Major Source, Seasonally Adjusted at Annual Rates

	Pennsylvania			United States		
	1983 I (mil. dols.)	Percentage Change *Quarter Ago*	Percentage Change *Year Ago*	1983 I (mil. dols.)	Percentage Change *Quarter Ago*	Percentage Change *Year Ago*
Labor and proprietors' income by place of work	90,248	0.2	0.8	1,876,342	1.4	4.4
By type						
Wage and salary disbursements	75,482	0.3	-0.1	1,587,350	1.5	3.6
Other labor income	8,712	-0.0	2.1	160,559	1.7	7.7
Proprietors' income	6,054	-0.6	11.0	128,433	-0.2	10.8
By industry						
Farm	917	-22.6	11.7	31,404	-14.4	6.2
Nonfarm	89,331	0.5	0.7	1,844,938	1.7	4.4
Private	76,733	0.4	0.1	1,528,713	1.8	4.1
Ag. serv., for., fish., and other	223	5.2	11.5	8,579	5.7	13.8
Mining	1,238	-11.9	-23.8	33,209	-4.5	-15.5
Construction	4,461	4.3	0.5	102,139	3.9	5.3
Manufacturing	26,500	-0.6	-8.7	450,581	2.0	0.2
Nondurable goods	9,544	0.9	0.1	168,342	1.5	3.8
Durable goods	16,956	-1.5	-13.0	282,239	2.2	-1.8
Transportation	6,717	-1.9	-1.1	143,664	0.6	2.3
Wholesale trade	5,344	-0.3	-1.3	127,082	0.9	2.4
Retail trade	8,031	0.9	2.8	176,253	1.2	4.8
Finance, insurance, and real estate	5,190	2.9	18.1	120,941	3.6	13.8
Services	19,029	1.8	12.1	366,265	1.9	9.1
Government	12,598	1.5	4.7	316,225	1.3	5.9
Federal, civilian	3,222	0.0	5.0	71,006	0.6	4.0
Federal, military	433	-0.9	13.1	32,010	0.4	4.5
State and local	8,943	2.2	4.2	213,209	1.7	6.7
Total personal income	132,257	0.1	3.9	2,640,496	0.9	5.6
Nonfarm personal income	131,340	0.3	3.9	2,609,093	1.1	5.6
Net labor and proprietors' income[1]	83,895	0.1	0.9	1,759,931	1.2	4.4
Dividends, interest, and rent	23,439	0.7	5.3	484,799	1.0	5.5
Transfer payments	24,923	-0.7	13.9	395,766	-0.5	11.6

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, July 1983.

[1] Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

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Recovery Loses Speed in August

Economic indicators for both the nation and the state show a slowing in the recovery in August.

The weakening in the state's recovery was most evident in the resident employment data, which may be reflecting a pause or an adjustment after five consecutive months of strong gains. The Pennsylvania index of coincidental indicators, which is heavily weighted with the employment data, fell 0.3 percent from a month earlier while the index of leading indicators was unchanged.[1]

Nationally, employment continued to increase in August, but a slowing in the recovery was evident in the month's figures for industrial production, retail sales, and personal income growth and in the preliminary estimate of third-quarter gross national product.

Total employment of Pennsylvania residents remained over 5 million but was down a slight 0.2 percent after seasonal adjustment. The number of unemployed residents also fell in August but not as much as is normal for that month. As a result, the seasonally adjusted unemployment rate rose to 11.5 percent from July's 11.1 percent.

Nonfarm payroll employment, as measured by the monthly survey of establishments, was little changed in August. The level of payroll jobs rose in the state's manufacturing industries, but the increase was less than the usual seasonal increase. At the same time, the level of jobs in the nonmanufacturing sector fell more than seasonally. This sector was significantly affected by striking communications workers and a further contraction in the mining industry group.

The job levels in both the state's durable and nondurable goods manufacturing industry groups rose in August. However, while the rise in the durable goods industry group was 0.6 percent more than the usual seasonal increase, the rise in the nondurable goods job level was less than expected for that month. After seasonal adjustment, the job level in the latter industry group fell 1.4 percent.

Nevertheless, both manufacturing industry groups are

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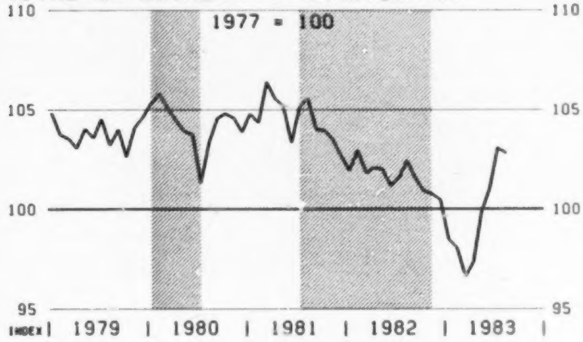
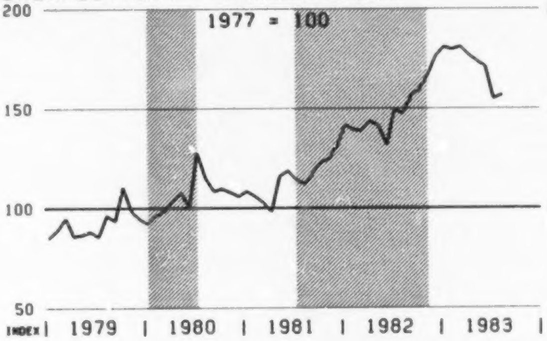
[1] For a description of these indexes, see June's issue.

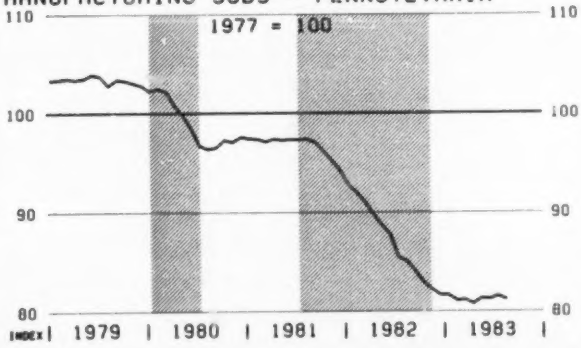
TOTAL EMPLOYMENT - PENNSYLVANIA



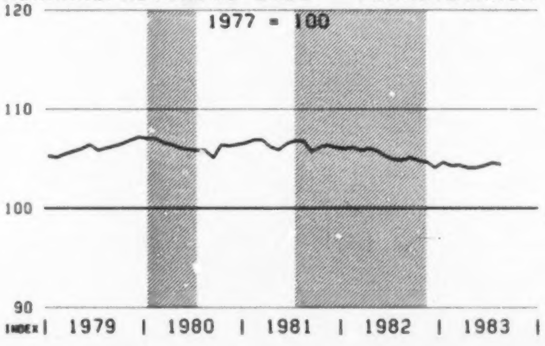
UNEMPLOYMENT - PENNSYLVANIA



MANUFACTURING JOBS - PENNSYLVANIA



NONMANUFACTURING JOBS - PENNSYLVANIA



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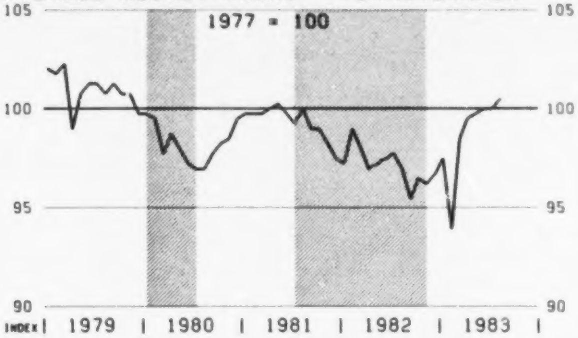
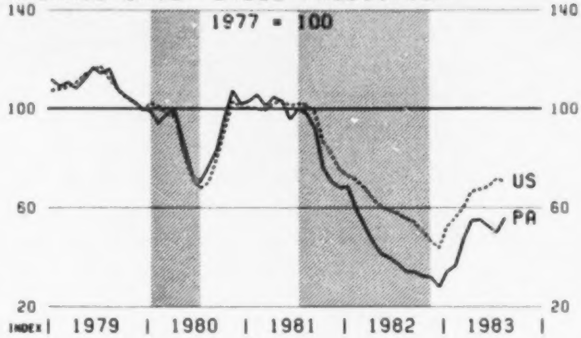


AVERAGE WEEKLY HOURS - PENNSYLVANIA



AVERAGE DAILY STEEL PRODUCTION

in good positions for expanding their work forces in the coming months. Average weekly hours worked by production workers in both of these groups had risen to pre-recession levels by August. The average length of the factory workweek rose to 38.5 hours from 38.0 hours in nondurable goods industries while the average workweek was unchanged at 40.5 hours in durable goods industries.

Because of the less than seasonal increase in factory payroll employment, seasonally adjusted levels of total person-hours worked and total weekly payrolls fell 0.2 percent and 0.7 percent, respectively. These declines

Economic Activity in Pennsylvania	1983		1982	Seasonally Adjusted Indexes (1977 = 100) 1983		1982
	July	*Aug.*	*Aug.*	*July*	*Aug.*	*Aug.*
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)[1]	4,479.*	4,481.	4,537	97.8*	97.6	99.0
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,379.*	3,371.	3,383.	104.6*	104.5	104.8
Manufacturing						
No. of wage and salaried jobs (thous.)	1,095.*	1,100.	1,152.	81.6*	81.2	85.1
Ave. wkly. hrs. worked by prod. workers	39.3*	39.6	38.2	99.8*	100.4	96.9
Total wkly. person-hours worked (mils.)	29.3*	29.8	29.9	77.5*	77.4	77.7
Total wkly. payroll (mil. dols.)	264.2*	267.4	258.4	119.7*	118.9	115.0
Steel production (thous. tons)	1,030.	1,088.	670.	50.	56.	34.
Industrial electric power sales (mil. kwh)	3,400.	3,520.	3,212.	94.	95.	86.
Mining						
Anthracite coal (thous. net tons)	358.	349.	370.	83.	81.	70.
Bituminous coal (thous. net tons)	3,618.	n.a.	4,340. †	69.	n.a.	80.†
Construction contracts awarded (mil. dols.)						
Total	542.6	557.2	360.0*	153.	161.	101.*
Residential building	209.2	245.5	187.4*	124.	133.	102.*
Other building	248.9	178.3	118.9*	208.	150.	107.*
Nonbuilding (utilities and public works)	84.5	133.3	53.7*	124.	230.	91.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	5,054.	5,035.	5,012.	103.1	102.8	102.4
Unemployed						
No. of persons (thous.)	617.	610.	574.	155.1	156.7	147.6
Rate (percentage of labor force)	10.9	10.8	10.3			
Rate, seasonally adjusted	11.1	11.5	10.8			
Civilian labor force, no. of persons (thous.)	5,671.	5,645.	5,586.	107.1	107.0	105.9
Initial claims for unemployment benefits	148,443.	128,055.	179,043.	96.0	102.8	148.7

Consumer Prices, all items	Urban Indexes (1967 = 100) 1983		1982	Percentage Change	
	July	*Aug.*	*Aug.*	*Month Ago*	*Year Ago*
U.S. city average	299.3	300.3	292.8	+0.3	+2.6
Philadelphia	288.3	289.9	281.3	+0.6	+3.1
Pittsburgh	n.a.	310.2	291.4	n.a.	+6.5
Northeast PA	283.4	n.a.	275.1†	n.a.	+3.0

NOTES: Data on employment have been revised to first quarter 1982 benchmarks.

[1] Total includes workers on strike. * = figure revised † = figure for July 1982 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE CN REQUEST.

Pennsylvania Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
February	95.3	82.9	−2.9	−0.8
March	98.4	83.6	+3.3	+0.8
April	100.2	84.1	+1.8	+0.6
May	100.6	85.5	+0.4	+1.7
June	101.6	86.5	+1.0	+1.3
July	101.8	87.6	+0.2	+1.3
August	101.8	87.3	0.0	−0.3

were the first in these series in six months.

The big job losers in the state's nonmanufacturing sector were public utilities and mining. The 1.8 percent drop in the seasonally adjusted job level of the public utilities group was due to striking telephone company workers. Thus, the drop is temporary, and September's data should show the number of jobs back up to July's level.

The state's mining industry is still ailing. Employment in this industry group fell back a seasonally adjusted 3.5 percent in August after rising 9.7 percent from the recession low registered in December. It remained 19.7 percent below the level that prevailed in 1979.

Although the production of anthracite coal fell back a seasonally adjusted 2.9 percent in August, that month's downturn does not constitute a reversal in the general upward trend in this measure that began in the second quarter of 1982. In August, the adjusted level of anthracite coal mined was 15.6 percent above the level mined a year earlier.

However, more than ten times as many tons of bituminous coal than anthracite coal is mined in Pennsylvania, and no clear upward trend in the state's production of this type coal is evident. The seasonally adjusted level of bituminous coal mined in the state fell more than 12 percent in July (the latest month for which we have data) and remained well below last year's level.

One of the main reasons for the ills of the state's coal industry is the continuing plight of the its steel industry. But the seasonally adjusted average daily production of steel in Pennsylvania did rise a substantial 11.3 percent in August after declining the previous two months. That month it stood at its highest level in a year and a half.

At the same time, producton of steel in the nation as a whole fell back a seasonally adjusted 1.1 percent. Thus, the state's share of total national steel production rose to 15.5 percent from 14.6 percent a month earlier.

Total industrial production in the state, as measured by sales of electricity to industrial users, continued to inch up in August. The seasonally adjusted level of sales rose 0.8 percent from a month earlier. However, some of August's strength in this measure was due to unusually hot weather for that month rather than to increased industrial activity.

The construction industry also continued to improve in August. The value of total contract construction awards rose for the third consecutive month, bringing the cumulative total for the year above last year's for the first time. However, the gains were concentrated in the eastern half of the state. This year's cumulative value of total contract construction awards was 6 percent ahead of last year's total in the eastern region of the state in August while it remained 4 percent behind in the western region.

Residential building awards account for most of the improvement in this measure. The cumulative total value for these awards was 51 percent ahead of last year's in the eastern region and 32 percent ahead in the western region.

Commercial building awards continued to lag. The cumulative value of these awards in the eastern region was 3 percent behind last year's value and, in the western region, it was 12 percent behind.

However, the biggest drag came from awards for major structures, which was 35 percent behind the eight-month value of a year earlier in the eastern region and 27 percent behind in the western region.

In sum, although the employment picture was little changed in August, other indicators showed the state's economy continuing on a recovery course. According to the index of coincidental indicators, the state's recovery began in March, four months after the official end of the national recession. But while the recovery lost some of its momentum in August in both the state and the nation, it has by no means ended.

— *Norma I. Gavin*

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Employment Conditions Improve for Most Population Groups

Unemployment rates for all major population groups in the state, except women, were lower in the second quarter of this year than a quarter earlier but remained above year-earlier rates.

The rate for women rose to 10.2 percent from 9.7 percent in the first quarter while the rate for men dropped 3.1 percentage points from the high of 17.5 percent. Thus, the differential in unemployment rates between males and females narrowed, but the reversal in the traditional trend for female rates to exceed those of males continued into the second quarter.

Blacks had the highest unemployment rate among the major population groups in the state although their rate did decline to 25.4 percent from 28.1 percent in the first quarter. Teenagers were closely behind with the second highest rate of 24 percent.

The youth unemployment rate was essentially unchanged in the second quarter despite the usual seasonal increase in their labor force participation. The rise in labor force participation was countered by a decline in their population.

Second-quarter employment levels were higher than levels a quarter earlier for all population groups in the state, except blacks, but remained below year-earlier levels. Nationally, more women and blacks were employed in the second quarter than in the same quarter a year earlier while the employment level for whites matched the year-earlier level.

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percent Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	1983 II (in thousands)	Over Quarter	Over Year	1983 II	1983 I	1982 II	1983 II	1983 I	1982 II
Pennsylvania									
Total, seasonally adjusted	4,780	2.1	--	12.8	13.4	10.3	59.9	59.1	59.7
Total, unadjusted	4,764	3.7	- 2.4	12.7	14.3	10.1	59.6	58.6	59.4
Male	2,722	4.9	- 1.5	14.4	17.5	11.2	73.9	72.8	73.4
Female	2,042	2.2	- 3.5	10.2	9.7	8.7	46.9	45.9	47.3
White	4,441	5.2	- 3.3	11.7	13.0	9.2	59.8	58.7	60.3
Black	290	-13.4	-11.3	25.4	28.1	23.1	56.7	56.8	49.8
16-19 years old	323	29.7	- 0.9	24.0	24.4	20.2	51.7	43.4	50.5
United States									
Total, seasonally adjusted	99,933	0.9	--	10.1	10.3	9.4	63.9	63.7	64.0
Total, unadjusted	100,065	2.6	0.2	10.0	11.2	9.3	63.9	63.3	64.0
Male	56,555	3.7	- 0.2	10.4	12.1	9.4	76.6	75.4	76.9
Female	43,510	1.2	0.8	9.5	10.0	9.2	52.5	52.3	52.4
White	86,307	2.8	0.0	8.7	10.0	8.2	64.2	63.6	64.4
Black	9,244	2.1	1.2	20.6	20.6	18.5	61.7	60.6	60.5
16-19 years old	6,347	13.0	- 5.0	23.9	24.6	23.3	54.4	45.1	55.0

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

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